WORKFORCE HOUSING STUDY AND ACTION PLAN

Ellsworth, Maine
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Prepared for:
City of Ellsworth, Maine

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Acknowledgements

Workforce Housing Committee

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ELLSWORTH WORKFORCE HOUSING STUDY

PART I: ELLSWORTH HOUSING ACTION PLAN

The Housing Action Plan outlines a strategy for addressing the workforce housing needs of Ellsworth and its market area. The strategy is based on a housing market and needs analysis (summarized in Part II); the review of alternative approaches to workforce housing (described in Part III); and the input of an Affordable Housing Advisory Committee that reviewed and commented on the draft elements of this study during its preparation. The action plan (Part I) lays out a series of approaches that may be further studied and used by the City to address a number of workforce housing goals.

The City's goals for this analysis study included the identification of demonstrated approaches that center on public-private partnerships, but which are not fully dependent on federal and state funds. Where actions are recommended for the City, those actions may be taken by the City directly or by non-profit organizations designated to act on its behalf.

Goals of the Ellsworth Workforce Housing Action Plan:

- Create more diversity in new housing development to fill gaps in the inventory
- Provide more ownership and rental housing opportunities affordable to local workers
- Encourage new affordable workforce housing in growth areas of the City
- Participate in public-private partnerships to create affordable workforce housing
- Encourage housing development served by public water and sewer
- Engage the business community in supporting workforce housing
- Support investment in housing within the neighborhoods close to the City center

Action 1: Incorporate Affordable Housing Incentives in Land Use Regulations

Objective: Make the development process for affordable workforce housing more predictable and incorporate incentives for affordable housing development that are automatic if certain conditions and affordable housing thresholds are met.

Public-Private Partnership. Development regulations can reinforce public-private partnerships by improving the predictability in the approval process, and by specifying conditional development standards that will apply where City goals for affordable workforce housing developments are met.

Incentives: The following changes should be considered as part of an approach to development regulations that promotes more flexibility in creating affordable housing, while improving on the predictability of the approval process:

- While the zoning ordinance should not permit new single family and duplex uses to be established in industrial and commercial districts, commercial zones may be appropriate for multifamily and attached housing. These housing uses might be developed within a commercial district, but on parcels that do not directly front on major highways that retail uses need for market exposure.

- Minimum lot sizes and maximum densities should be specified at two tiers: with and without connection to public water and sewer utilities. (Higher density options could be allowed subject to water/sewer utility connection without the necessity of rezoning.)

- The apparent intent of the zoning ordinance is to enable the use of cluster subdivisions in the R2 and R3 districts (standards are provided), but the ordinance does not specifically authorize cluster developments in these districts. The authorization to use these provisions should be specifically enumerated among other permitted uses for the given zoning district.

- Clarify the ordinance provisions relating to manufactured housing, mobile home parks, and the difference between permitted uses with respect to modular vs. “mobile home” forms of manufactured housing units. While the intent of the ordinance is to be “inclusive” of manufactured housing as single a family unit, this is not clear in the definitions and text of the ordinance.

- Develop standards, thresholds, and conditions in the zoning ordinance allowing housing construction on existing “backlots” that are otherwise developable, but which lack the minimum street frontage required by the zoning ordinance.

- Enable use of mixed uses within a PUD (Planned Unit Development) or PRD. This term is defined in the ordinance but is never used or specifically authorized as a use. In some areas, PUDs require the inclusion of retail or service uses within the tract, which is not always practical or desirable. An alternative is a PRD (Planned Residential Development), which would encourage mixed housing types within a master-planned tract.

- Authorize the use of contract zoning within the ordinance, and provide related criteria for its application in connection with public goals including affordable workforce housing. Essentially, contract zoning would allow for development agreements to be negotiated between the city and a developer where the opportunities presented by a unique property would also satisfy affordable workforce housing objectives of the City.

- Allow density bonuses or smaller minimum lot size for development that meets specific criteria for an affordable housing development (AHD). An AHD could be defined and authorized as a conditional use, associated with performance criteria in the ordinance that are based on desired outcomes for income mix and long-term affordability preservation mechanisms.

- Consider expanded guidelines for Planning Board waivers of selected requirements of the ordinance (such as setback reductions) and to authorize waiver of selected subdivision regulations where the development objective is an AHD that meets specified public objectives.

Waivers would not extend to aspects of the regulations that are essential to public health and safety.

Benefits: Provisions that allow for increased density in the growth areas near the downtown and commercial centers of Ellsworth, especially where the housing is served by public water and sewer, will promote more efficient use of land, more cost-effective use of existing public infrastructure, encourage infill development, and reduce resident commuter costs.

Action 2: Create an Area Trust for Affordable Housing

Objective: Participate in the creation of a non-profit entity that can focus on attracting capital for equity investment in housing, advocacy for workforce and affordable housing, and housing development. Communities throughout the region are seeking solutions to the affordable workforce housing problem, and it is likely that many of these efforts could benefit from a regional consolidation of administrative and fund-raising efforts. An existing non-profit organization may be able to absorb some of the initial administrative costs and functions needed to initiate a trust, while a new non-profit housing trust would be the long term objective.

Public-Private Partnership. City contributions to such an organization could include initial support for organization development, sharing in initial start-up costs, and/or donation of property. The formation of a Trust may also qualify for federal fund matching in the future. As a non-profit development entity, the Trust could serve as a sub-grantee for CDBG and other funds for housing acquisition, rehabilitation, or development projects. An organization based in Ellsworth may be best suited to harness the energy of the City's commercial sector to raise private capital contributions and to promote business awareness of the housing-work connection.

A key component of success in creating a housing trust fund will be securing a stable source of ongoing financial support for management and operation of a fund. The Ellsworth Economic Summary Area (which is distinct from the Bar Harbor ESA) generated $378 million in retail sales in 2003. A capital campaign that raised even a small proportionate contribution from retailers, for example, could create a significant endowment or a source of ongoing support to an area trust. Other major employers may also be capable of contributions to a general trust fund or to project-specific development that is of potential benefit to employees. Employer contributions, in combination with leverage from other sources, could help sustain an area housing development effort.

Incentives: For some business, the availability of affordable workforce housing is essential to the stability of the company and its future growth. More affordable housing close to employment encourages business expansion, employee retention, and reduction in retraining costs. Donations to a non-profit corporation may be tax-deductible while expanding housing options for workers.

Benefits: The encouragement of EAH initiatives, including donations to a housing trust, can produce tangible benefits as the result of new workforce housing developed in the region, and from protection of a portion of the housing stock from market forces that are driving up housing costs. The reduction of employee housing and commuting costs can create more labor availability and a more stable workforce. Such housing development would also be of benefit to municipal and school employees.

Action 3: Promote Quality and Affordable Ownership of Existing Units

Objective: Coordinate available resources to improve the quality of the existing housing stock for potential workforce homebuyers in and near the City center. The most affordable workforce ownership housing options will be found in the existing housing stock, which is less expensive than new development.

Public-Private Partnership. There are several approaches that may be utilized by the City to promote these objectives, including but not limited to the following:

- The CDBG program can provide funds for rehabilitation of homes for households earning less than 80% of AMFI, and possibly infrastructure improvements in neighborhoods where at least 51% of the beneficiaries are at or below that income level.

- In some cities, CDBG funds have been used to make second mortgage, deferred loans (due on sale or refinancing) in tandem with private mortgage lender financing to encourage rehabilitation and owner-occupancy in the City,

- City or non-profit assistance with down payment and closing costs can help first-time buyers purchase and improve a home, with funds recovered at the point of resale, or forgiven over time according to duration of occupancy.

- The New Neighbors Program of MSHA, while not a large program, allows eligible first time buyers to obtain financing that covers purchase as well as rehab costs.

- The Rural Development (USDA) Section 504 loans may provide up to $20,000 to existing owner-occupants for qualified repairs and improvements to homes occupied by very low income households. (Grants under the program for hazard mitigation are available only to owners age 62 or older.)

- Employer-assisted housing (EAH) initiatives for home ownership can be encouraged by publicizing some of the techniques used in other areas to provide down payment assistance, or soft second mortgages.

Incentives: CDBG funds can be invested in housing rehab and improvements using loans and grants, and with funds recycled upon resale of a home or from loan repayments. The New Neighbors mortgage loans can encourage rehab and owner-occupancy in one to four family homes near the city center and primary sources of regional employment. EAH benefits will be decided by the policies of individual employers, but can be coupled to match other funds for which the employee's household qualifies.

Benefits: As turnover in ownership occurs, more 1st-time buyers will have access to better quality existing units. An investment in the existing owner-occupied housing stock near the center of services promotes efficiency of travel to and from work, housing quality, and preservation of value in the residential tax base. From the City and neighborhood perspective, there are tangible and financial benefits when deteriorated or vacant properties are acquired and maintained by owner-occupants.

Action 4: Develop Cost-Sharing Approaches for Public Infrastructure

Objective: Define the probable future extent of service areas for public water and sewer in Ellsworth, and develop appropriate policies for recovery of costs that encourage a greater proportion of new housing development to be served by public utilities. These policies should promote the efficient use of land within the growth areas anticipated by the City's Comprehensive Plan.

Public-Private Partnership. Current policy requires that each new development be responsible for the full capital cost of extending public utility services to a particular site. For the residential sector, the up-front capital investment to bring utilities to a given location may be impractical due to the per-unit costs of such extensions. However, a system development charge that anticipates the per-unit costs of future utility extensions serving a larger, pre-defined future service area would enable a more proportionate distribution of capital costs to new users. Capacity-related charges, as well as a planned series of service expansions in growth areas could lead to more innovative cost-sharing arrangements that reduce the per-unit cost of water and sewer.

Incentives: Existing development regulations, and the content of the draft Comprehensive Plan, address issues of overall system capacity, but do not provide guidance as to where these utilities should be extended in the future and how this infrastructure can be used promote more efficient, less expensive development patterns and utility costs. Alternatives for funding utility expansion costs should be studied to determine their potential benefits in reducing housing development costs as the result of higher development density. These approaches might include:

- Funding system expansion using system development charges payable over time;
- Creating service districts for water and sewer utilities;
- Consider a system that assesses operating costs based on user fees (consumption) but with capital costs absorbed by property taxes;
- Use incremental property tax revenues from an Affordable Housing TIF to reimburse the City for capital investments in new service extensions to affordable housing developments;
- Allow smaller minimum lot sizes for developments served by public water and sewer.

Benefits: In general, much of the central plant investments in utility capacity are relatively fixed costs (such as debt service, and some costs of operations). According to the City's 2003 budgets, 73% of Water Department costs, and 63% of Sewer Department costs, were related to capital expense, debt service and depreciation. The fixed costs per property are reduced as they are spread among a larger base of customers or properties. The benefits of new cost-sharing approaches may also include more efficient and flexible land development of higher density near the city center, enabling more housing close to the workplace, and walkable neighborhoods nearer to commercial services. System expansion should also create benefits to the City at large, including environmental protection and a higher ratio of taxable valuation per acre than is produced by rural development on well and septic systems.

Action 5: Demonstration Partnerships for Homeownership

Objective: Create affordable ownership options in new mixed-income developments that include opportunities for first time buyers in the 50%-100% of area median family income (AMFI) range. Ownership options could include single family detached, duplex ownership, and townhouse units or combinations that are part of a planned residential development. These developments should be limited to homes used as a primary residence, with priority extended to households now living or working in Ellsworth. Most beneficiaries of such a program should be households earning less than the area median family income (AMFI). Most of the area's workforce first-time buyer needs fall under this income level.

Public-Private Partnership: Under this development concept, the City would define conditions under which an "affordable housing development" (AHD) for workforce homeownership could qualify for a special partnership with the City. The developer could be a for-profit or non-profit entity capable of meeting the conditions of City participation in development cost sharing. The developer would be responsible for all costs with the exception of public infrastructure, which would be undertaken in partnership with the City. The City would participate in the cost and/or construction of public infrastructure (which may include roads, water, and sewer) serving an approved AHD. City capital costs for infrastructure that cannot be recovered from grants could be recaptured from property owners in the completed development on an installment basis, or by using other cost-sharing techniques such as Tax Increment Financing (TIF) or second-mortgage financing.

Incentives. The workforce AHD would be eligible for reduced lot sizes and higher densities made possible by the availability of infrastructure provided by the City and enabled by changes in the zoning ordinance. For example, if the standard minimum lot size on water and sewer were 10,000 square feet, an AHD might qualify for a minimum lot size of 6,000 square feet. The purchase price to the buyer would be a reduced cost that reflects the cost reduction made possible by the City's initial infrastructure investment. The intent of this concept, however, is that the public contribution to infrastructure costs would be recovered over time from the property, and that long-term affordability restrictions would be required.

Conditions. Home design would be subject to City approval of elevation & floor plan designs. Low-cost amenities such as walking paths or pedestrian connections to other neighborhoods and nearby commercial areas should be encouraged depending on the location of the site. Long-term controls on resale would be required in the form of deed covenants to assure continued affordability to target income groups, and/or recovery of "recycling" of the remaining City investment in the development to benefit future projects or homebuyers.

Possible Components:

- Define "affordable housing development" (AHD) in the zoning ordinance.
- Authorize AHD as a conditional use with performance criteria such as connection to public utilities and levels of household income targeted for affordable units.
- Define maximum density, minimum lot size, and performance criteria for an AHD
- Provide financing incentives that include infrastructure financing for AHDs that exceed the baseline affordability criteria (to be determined)

- For the demonstration program, utilize available grant or loan funds for infrastructure components:
    - MSHA funds as available from special programs
    - FHLBB Affordable Housing Partnership Grants
    - Rural Development (USDA) Community Facilities Loans
    - MSPO Great American Neighborhood infrastructure loan (new)
    - State revolving loan funds such as Maine Drinking Water Program
    - CDBG public infrastructure grant (beneficiaries <80% of AMFI)
    - Seed money contributed by major employers

- Capital cost recovery options for infrastructure expenses:
    - Affordable housing development district TIF – recover infrastructure investment through taxes in early years of occupancy
    - Proportionate system development charge for capacity and extensions, payable in installments
    - Annual assessment to owners to recover city capital costs over "x" years
    - Utility district with capital costs amortized by taxes rather than a user fee
    - Deferred second mortgage loan due at resale/refinancing to recover public investments in infrastructure cost.

Action 6: Property Assembly, Development Pre-Approval or Land Banking

Objective: Identify, acquire, and secure development approvals for parcels with high potential to support affordable workforce housing, for both ownership and rental opportunities, especially where public water and sewer become available. Strategic property acquisition should consider both short-term development opportunities and long-term plans and objectives. Acquisitions could also include of property subject to foreclosure, with the property transferred to a non-profit holding entity (housing authority, housing trust) for rehab and/or resale to qualified workforce buyers.

Public-Private Partnership: The City would secure sites for the development of affordable housing, which might include rental or ownership development potential. The City could then either "bank" the parcel until conditions for development became favorable, or could itself obtain necessary development approvals for a subdivision or site plan. Infrastructure financing and other incentives would be subject to negotiation and the affordability benefits to be created by the project.

Incentives. For new developments, the property (or site with approvals) could be sold to a developer on a competitive basis after advertising for proposals. Much of the developer's up-front risk and time costs would be eliminated, allowing prospective sponsors to focus on product and affordability rather than on the approval process.

Conditions. The City could recover all or part of its land and pre-approval costs from sale of the property. The City would need to set forth the desired outcomes of the affordable housing development that it would like to create on a particular site, such as:

- Income mix of occupants, price and affordability levels achieved
- Provisions to assure continued affordability in the future
- Design of homes or units
- Site design, amenities, and relation to other planning objectives
- Other conditions relating to workforce objectives, such as priority to (1) local residents; (2) persons employed in Ellsworth; (3) persons employed or to be employed in the Ellsworth-Bar Harbor Labor Market Area.

Types of developments that would promote diversity in the Ellsworth housing stock include:

- Single family subdivision on small lots
- Mixed income rental housing
- Townhouse condominium development
- Mobile home park (provisions to convert to cooperative ownership recommended)
- Primary residences affordable to the local retirement market such as 1-story row condos, adult mobile home parks or co-operatives). (This may promote turnover of existing lower cost ownership units for the workforce)

PART II:

HOUSING MARKET AND NEEDS ANALYSIS

ELLSWORTH WORKFORCE HOUSING STUDY

PART II: HOUSING MARKET AND NEEDS ANALYSIS

Purpose

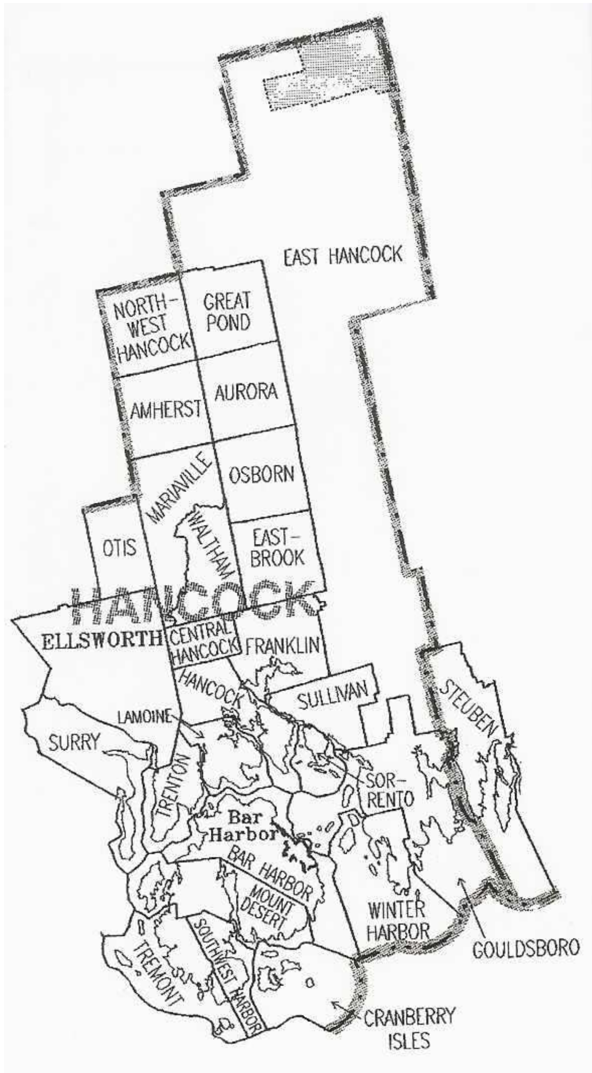
The purpose of this section of the report is to describe housing market characteristics in Ellsworth and its market area with respect to characteristics of the housing stock, changes in the inventory of housing, home prices and rents, and affordability relative to local wages and household income. The "market area" as used in this report refers to the Ellsworth-Bar Harbor Labor Market Area (LMA) as defined by the Maine Department of Labor. In some instances, housing data is illustrated for Ellsworth, the "balance of the labor market area" (other communities in the LMA) and the LMA in total. Some housing information for Hancock County is also shown so that local trends and characteristics can be compared to those of the larger surrounding region. All population and housing data references to 1990 and 2000 characteristics are derived from the U. S. Census unless otherwise noted.

Workforce Expansion in the Market Area

Between 1990 and 2000 the civilian labor force living in the market area increased by over 3,800 persons, and the number of employed residents grew by nearly 3,700, or by approximately 22%. (See Figure 1, next page). During the same period, the housing stock available for year round occupancy grew by about 2,400 units.

An analysis of commuter data shows that an increasing proportion of people who work in the LMA are commuting in from other areas. The proportion of workers commuting into the LMA increased from about 14% in 1990 to nearly 23% in 2000. In Ellsworth, the number of persons who worked in the City grew by nearly 800 between 1990 and 2000 period (+25%), but the number that both work and live in the City increased by only 3 persons (0.2%). One of the area's largest employers, Jackson Laboratory in Bar Harbor, reportedly doubled its workforce in the past 10 years, but support staff workers have difficulty finding decent affordable housing close to work. Jackson Laboratory now provides its own shuttle bus to transport some employees from as far away as Bangor.

These commuter trends indicate that people who want to work in Ellsworth or the area must often live at a considerable distance from work, adding to both costs to the consumer and many more vehicle miles to the highway system.



Ellsworth-Bar Harbor LMA

Figure 1: LMA Employment Growth 1993-2002

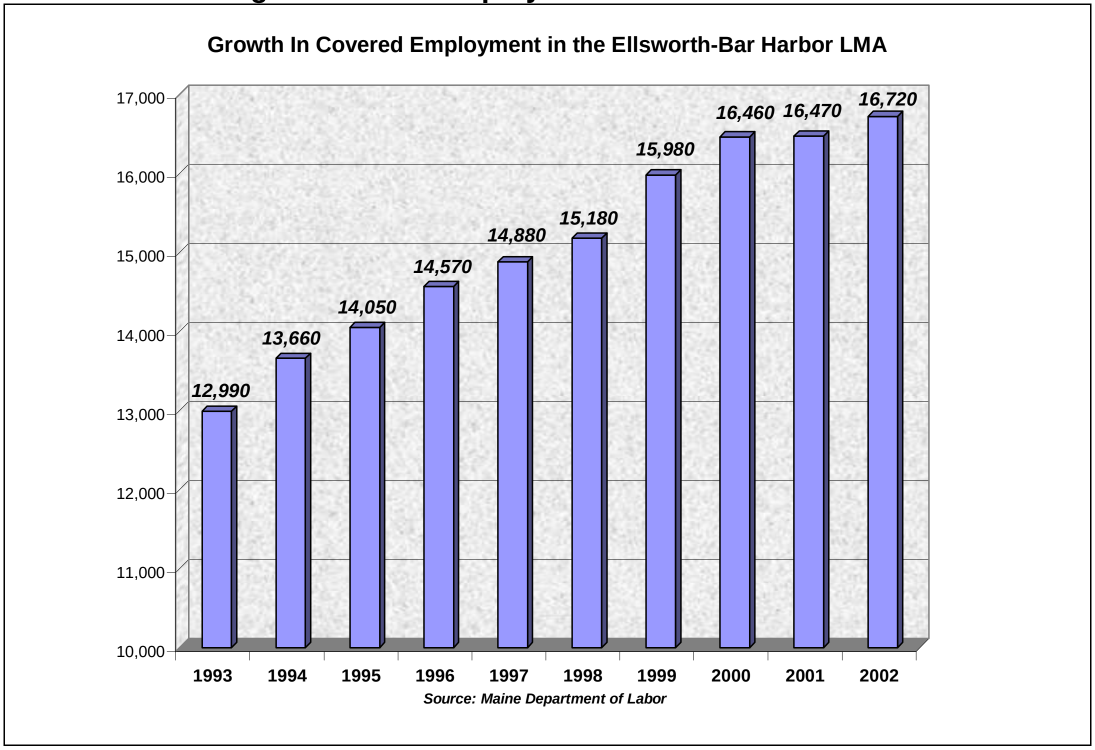


Table 1

ELLSWORTH RESIDENTS WHO WORK				
Place of Work			**Change 1990-2000**	
	1990	**2000**	**Number**	**Percent**
Work in Ellsworth	1,999	2,002	3	0.2%
Work Elsewhere	753	1,194	441	58.6%
Total	2,752	3,196	444	16.1%
	1990	**2000**		
Percent Work in Ellsworth	72.6%	62.6%		
Percent Who Work Elsewhere	27.4%	37.4%		

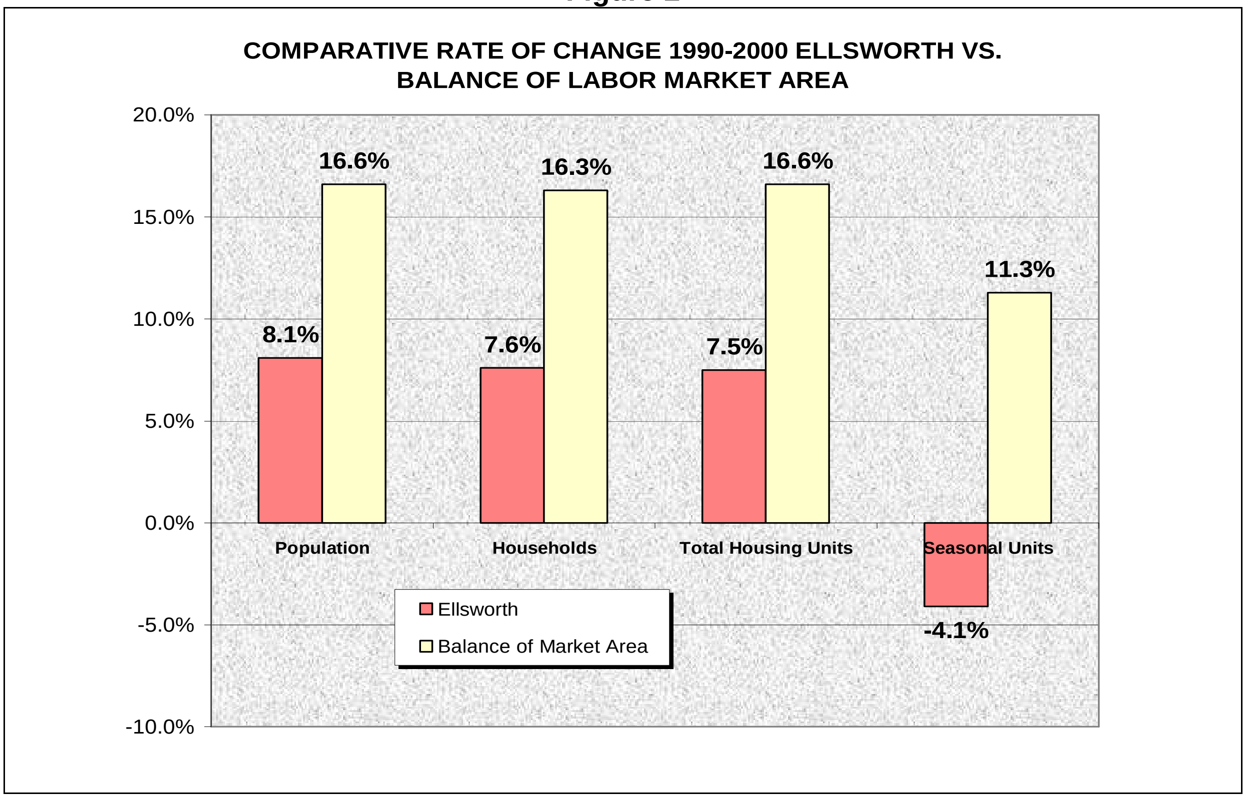
PERSONS WHO WORK IN ELLSWORTH				
Place of Residence			**Change 1990-2000**	
	1990	**2000**	**Number**	**Percent**
Live in Ellsworth	1,999	2,002	3	0.2%
Other Town of Residence	3,155	3,946	791	25.1%
Total	5,154	5,948	794	15.4%
	1990	**2000**		
Percent of Those Working In Ellsworth Who Live in City	38.8%	33.7%		
Percent Live Elsewhere	61.2%	66.3%		

Source: 1990 and 2000 Census; reported for workers age 16 and older

Households and Housing Inventory 1990-2000

Table 1 above and Figure 2 below compare changes in population and housing characteristics for 1990 and 2000 in Ellsworth, the balance of the market area, the LMA total, and Hancock County. While Ellsworth's growth in households and population was only about 8% during the 1990s, the balance of the market area grew twice as fast at 16-17%. While the number of seasonal units declined in Ellsworth, the number of seasonal homes in the rest of the market grew by 11%.

Figure 2



Some of the housing needs of the period were met through the absorption of rental units that were vacant in 1990. The market area's rental vacancy rate declined from 8.8% in 1990 to 5.4% in 2000. Rental vacancy rates In Ellsworth were lower than the market area average in both years; the City's 1990 vacancy rate of 5.7% declined to 4.7% in 2000. While a 5-6% vacancy rate is desirable in the rental market, the rate does not measure the quality or adequacy of the units that are vacant. Ownership vacancy rates were stable during the period at about 2% for the market area and about 1.5% in Ellsworth. From 1990 to 2000 Ellsworth's rental housing stock (renter occupied or available for rent) grew by only 65 units. In the balance of the market area, the rental stock grew by nearly 600 units. This change came about in part from increased rental occupancy in single family homes.

There are nearly 7,500 seasonal housing units in the market area, comprising about 32% of all housing units in the LMA. All but about 500 of these units are located outside of Ellsworth. Most of the region's seasonal units are coastal or lakefront properties. The number of seasonal or second homes declined by 4% in Ellsworth, but increased by 11% in the balance of the market area during the 1990s.

Table 1 (1 of 2 pages)

1990 HOUSING CHARACTERISTICS	Ellsworth	Balance of LMA	Labor Market Area Total	Ellsworth Share of LMA	Hancock County
Population	5,975	25,270	31,245	19.1%	46,948
In Group Quarters	193	685	878	22.0%	1,499
Institutionalized	173	183	356	48.6%	502
Other Group Quarters	20	502	522	3.8%	997
Persons in Households	5,782	24,585	30,367	19.0%	45,449
Households	2,416	9,944	12,360	19.5%	18,342
Average Household Size	2.39	2.47	2.46		2.48
Families	1,611	6,969	8,580	18.8%	12,836
Total Housing Units	3,202	17,259	20,461	15.6%	30,396
Occupied Housing Units	2,416	9,944	12,360	19.5%	18,342
Owner Occupied	1,612	7,509	9,121	17.7%	13,876
Renter Occupied	804	2,435	3,239	24.8%	4,466
Vacant Housing Units	786	7,315	8,101	9.7%	12,054
For rent	49	265	314	15.6%	417
For sale only	26	152	178	14.6%	294
Rented or sold, not occupied	28	163	191	14.7%	254
For seasonal, rec. or occasional use	566	6,216	6,782	8.3%	10,136
For migrant workers	0	7	7	0.0%	9
Other vacant	117	512	629	18.6%	944
Vacancy Rate					
Rental	5.7%	9.8%	8.8%		8.5%
Ownership	1.6%	2.0%	2.0%		2.1%
Total	3.1%	4.2%	4.0%		3.9%

2000 HOUSING CHARACTERISTICS	Ellsworth	Balance of LMA	Labor Market Area Total	Ellsworth Share of LMA	Hancock County
Population	6,456	29,468	35,924	18.0%	51,791
In Group Quarters	235	877	1,112	21.1%	1,307
Institutionalized	178	87	265	67.2%	415
Other Group Quarters	57	790	847	6.7%	892
Persons in Households	6,221	28,591	34,812	17.9%	50,484
Households	2,755	12,366	15,121	18.2%	21,864
Average Household Size	2.26	2.31	2.30		2.31
Families	1,782	7,948	9,730	18.3%	14,238
Total Housing Units	3,442	20,124	23,566	14.6%	33,945
Occupied Housing Units	2,755	12,366	15,121	18.2%	21,864
Owner Occupied	1,880	9,262	11,142	16.9%	16,550
Renter Occupied	875	3,104	3,979	22.0%	5,314
Vacant Housing Units	687	7,758	8,445	8.1%	12,081
For rent	43	191	234	18.4%	331
For sale only	29	192	221	13.1%	325
Rented or sold, not occupied	20	143	163	12.3%	206
For seasonal, rec. or occasional use	543	6,916	7,459	7.3%	10,672
For migrant workers	0	6	6	0.0%	6
Other vacant	52	310	362	14.4%	541
Vacancy Rate					
Rental	4.7%	5.8%	5.6%		5.9%
Ownership	1.5%	2.0%	1.9%		1.9%
Total	2.5%	3.0%	2.9%		2.9%

Table 1 (2 of 2 pages)

CHANGE 1990-2000	Ellsworth	Balance of LMA	Labor Market Area Total	Ellsworth Share of LMA Growth	Hancock County
Population	481	4,198	4,679	10.3%	4,843
In Group Quarters	42	192	234	17.9%	-192
Institutionalized	5	-96	-91	n.c	-87
Other Group Quarters	37	288	325	11.4%	-105
Persons in Households	439	4,006	4,445	9.9%	5,035
Households	339	2,422	2,761	12.3%	3,522
Average Household Size	-0.14	-0.16	-0.15		-0.17
Families	171	979	1,150	14.9%	1,402
Total Housing Units	240	2,865	3,105	7.7%	3,549
Occupied Housing Units	339	2,422	2,761	12.3%	3,522
Owner Occupied	268	1,753	2,021	13.3%	2,674
Renter Occupied	71	669	740	9.6%	848
Vacant Housing Units	-99	443	344		27
For rent	-6	-74	-80		-86
For sale only	3	40	43		31
Rented or sold, not occupied	-8	-20	-28		-48
For seasonal, rec. or occasional use	-23	700	677		536
For migrant workers	0	-1	-1		-3
Other vacant	-65	-202	-267		-403
PERCENT CHANGE 1990-2000	**Ellsworth**	**Balance of LMA**	**Labor Market Area Total**	**Ellsworth Share of LMA Growth**	**Hancock County**
Population	8.1%	16.6%	15.0%		10.3%
In Group Quarters	21.8%	28.0%	26.7%		-12.8%
Institutionalized	2.9%	-52.5%	-25.6%		-17.3%
Other Group Quarters	185.0%	57.4%	62.3%		-10.5%
Persons in Households	7.6%	16.3%	14.6%		11.1%
Households	14.0%	24.4%	22.3%		19.2%
Average Household Size	-5.6%	-6.5%	-6.3%		-6.8%
Families	10.6%	14.0%	13.4%		10.9%
Total Housing Units	7.5%	16.6%	15.2%		11.7%
Occupied Housing Units	14.0%	24.4%	22.3%		19.2%
Owner Occupied	16.6%	23.3%	22.2%		19.3%
Renter Occupied	8.8%	27.5%	22.8%		19.0%
Vacant Housing Units	-12.6%	6.1%	4.2%		0.2%
For rent	-12.2%	-27.9%	-25.5%		-20.6%
For sale only	11.5%	26.3%	24.2%		10.5%
Rented or sold, not occupied	-28.6%	-12.3%	-14.7%		-18.9%
For seasonal, rec. or occasional use	-4.1%	11.3%	10.0%		5.3%
For migrant workers	n.c	-14.3%	-14.3%		-33.3%
Other vacant	-55.6%	-39.5%	-42.4%		-42.7%

Employment, Wages and Household Income

The central premise of workforce housing is to enable the labor force to live near centers of employment at a reasonably affordable cost. As the journey to work grows, commuting costs increase, and employee recruitment and retention can become challenges to business growth. Ellsworth is the principal retail and service center in this market. In combination, local and market area job growth, higher prices in the coastal towns of the area, and a limited rental housing inventory make it difficult for those working locally to afford rising home prices or to find an adequate supply of rental units. Based on the wage structure for those working in Ellsworth and the market area (Table 2), a household supported by only one worker would earn only about $27,500 per year. The average household typically has 1.5 workers contributing to income, which at the average local wage would support a household income of about $41,000. A one-worker household with average wages could typically afford a home that cost not more than $75,000 (the local price of an existing mobile home on an individual lot). An average household with 1.5 persons marking the average wage earns enough to purchase a home of about $113,000. In 2003, the median single family home price in Ellsworth was $133,500, or about 18% more than the price affordable to an average household working in the area. Most of the households with more than one worker could afford area rental housing costs, but many households with only worker cannot, especially if employed in retail trade or hospitality industries.

Table 2

AVERAGE WAGES PAID IN ELLSWORTH-BAR HARBOR LABOR MARKET AREA AND SUPPORTABLE HOUSING COST

Industrial Sector	LMA Covered Employment 2002	% of Covered Employment	Average Wage Per Job in Covered Employment 2002 (1)	Average Annual Wage Adjusted to 2004 (2)	2004 Income Supported With 1.5 Workers in Sector	Max Monthly Housing Cost- 1 Wage Earner @ 30% of Income	Max Monthly Housing Cost - 1.5 Employed in Sector - @ 30% of Income	Average Affordable Home Price- 1 Worker (3)	Average Affordable Home Price- 1.5 Workers (3)
Natural Resources & Mining	233	1%	$21,628	$23,393	$35,089	$585	$877	$64,330	$96,495
Construction	1,209	7%	$29,113	$31,489	$47,233	$787	$1,181	$86,594	$129,891
Manufacturing	1,354	8%	$28,346	$30,659	$45,989	$766	$1,150	$84,312	$126,469
Retail Trade	3,036	18%	$21,233	$22,966	$34,448	$574	$861	$63,155	$94,733
Other Trade, Transpor. & Utilities	468	3%	$21,734	$23,507	$35,261	$588	$882	$64,646	$96,968
Information	220	1%	$34,135	$36,920	$55,381	$923	$1,385	$101,531	$152,297
Financial Activities	664	4%	$35,592	$38,496	$57,744	$962	$1,444	$105,865	$158,797
Professsional & Business Services	1,864	11%	$34,122	$36,906	$55,360	$923	$1,384	$101,492	$152,239
Education & Health Services	2,174	13%	$29,923	$32,365	$48,547	$809	$1,214	$89,003	$133,504
Leisure and Hospitality	2,675	16%	$15,544	$16,812	$25,219	$420	$630	$46,234	$69,351
Other Services	679	4%	$23,210	$25,104	$37,656	$628	$941	$69,036	$103,554
State Government	252	2%	$34,099	$36,881	$55,322	$922	$1,383	$101,424	$152,136
Local Government	1,587	10%	$23,069	$24,951	$37,427	$624	$936	$68,616	$102,925
Total / Average	16,415	100%	$25,412	$27,486	$41,228	$687	$1,031	$75,585	$113,378

(1) Maine Department of Labor, December 2003, Maine Employment Statistical Handbook 2002 and on-line LMA information
(2) Assumes increase of 4% per year compounded
(3) Estimated at 2.75 times gross income

The largest sectors of employment in the Ellsworth LMA are the retail trade and lodging (leisure and hospitality), but these are also the lowest wage sectors of the local business base. While the retail trade and leisure/hospitality industries make up 34% of the employment base of the LMA, they represent only about 26% of total wages.

Average annual wages estimated for 2004 are about $23,000 per year in retail trade and about $17,000 per year in the leisure/hospitality (lodging) industries. Households with a single worker in these industries could afford maximum monthly housing costs of only $420 to $574 per month. Even with an average of 1.5 workers per household in these industries, the maximum housing cost supportable is $630 to $860 per month. There are few if any practical homeownership opportunities in the area for households supported exclusively by wages in these large employment sectors of the economy. Therefore, affordable rental housing is necessary to support the workforce in these sectors.

For various housing program eligibility purposes, applicable income levels are defined based on the area median family income (AMFI) adjusted for household size. A 2-person household with a single-wage earner in Ellsworth would earn the equivalent of about 70% of the area median family income (AMFI) for that household size. A 3-person household with an average of 1.5

persons working at average wages generates a household income of about 90% of AMFI for that household size.

If employment for the household is in one of the lower-wage sectors such as retail or hospitality, a single-wage 2-person household may earn only 40-60% of the AMFI. A 3-person household supported by 1.5 jobs in these sectors would earn the equivalent of about 60-80% of AMFI. Thus, even where one or more persons in a household are employed in the area, that household may still fall within the very low (under 50% of AMFI) or lower income (under 80% of AMFI) thresholds. (See Table 3 below.)

Table 3

AREA INCOME THRESHOLDS AS PERCENT OF AREA MEDIAN BASED ON HUD SCHEDULES JANUARY 2004

% Of Median Area Income (Hancock County)	2-Person Household (Typical Renter Household)	3-Person Household (Typical Owner Household)	Relevant Program Income Guidelines (Approximate)
30%	$11,400	$13,600	
40%	$15,175	$18,120	Typical minimum income for Tax Credit rental development
50%	$18,950	$22,650	Maximum Section 8/Voucher
60%	$22,763	$27,180	Maximum income for tax credit rental development
65%	$24,659	$29,445	MSHA Great Rate 1st-time buyer maximum
70%	$26,556	$31,710	
80%	$30,350	$36,200	CDBG benefit test
90%	$34,144	$40,770	
100%	$37,938	$45,300	Median income for indicated household size
110%	$41,731	$49,830	
120%	$45,525	$54,360	
130%	$49,319	$58,890	MSHA 1st-time buyer maximum
140%	$53,113	$63,420	
150%	$56,906	$67,950	

Household Income by Tenure (Owners vs. Renters)

Median household income is not necessarily indicative of the ability to afford available housing. Most housing initiatives focus on the creation of lower cost rental units or enabling first time buyers (now renters) to purchase a home. The income distribution among renter households is skewed toward much lower incomes than homeowners. In Ellsworth, the median renter household income in 1999 (2000 Census) was only $20,191. Among homeowners, the median income was more than twice that of renters, at $43,200.

Table 4 below compares the income distribution of owners and renters in the market area and in Ellsworth. The number and percent of owners and renters with incomes falling below certain AMFI thresholds are estimated at the bottom of the table. For example, in Ellsworth, an estimated 58% of all renters earn less than 60% of AMFI, while among homeowners, only about 23% are at or below that income level.

Table 4

HOUSEHOLD INCOME IN 1999 BY TENURE OF HOUSEHOLD (2000 CENSUS)

	Number of Households			% of Households		
MARKET AREA	Owners	Renters	Total	Owners	Renters	Total
Less than $5,000	236	183	419	2.2%	4.7%	2.8%
$5,000 to $9,999	522	547	1,069	4.8%	14.1%	7.2%
$10,000 to $14,999	645	587	1,232	5.9%	15.2%	8.3%
$15,000 to $19,999	764	359	1,123	7.0%	9.3%	7.6%
$20,000 to $24,999	754	464	1,218	6.9%	12.0%	8.3%
$25,000 to $34,999	1,659	600	2,259	15.2%	15.5%	15.3%
$35,000 to $49,999	2,125	594	2,719	19.5%	15.3%	18.4%
$50,000 to $74,999	2,333	351	2,684	21.4%	9.1%	18.2%
$75,000 to $99,999	952	102	1,054	8.7%	2.6%	7.1%
$100,000 to $149,999	615	53	668	5.6%	1.4%	4.5%
$150,000 or more	281	31	312	2.6%	0.8%	2.1%
Total	10,886	3,871	14,757	100.0%	100.0%	100.0%
Under 30% AMFI	1,140	789	1,929	10.5%	20.4%	13.1%
Under 40% AMFI	1,752	1,339	3,091	16.1%	34.6%	20.9%
Under 50% AMFI	2,409	1,617	4,026	22.1%	41.8%	27.3%
Under 60% AMFI	3,075	1,955	4,576	28.2%	50.5%	31.0%
Under 80% AMFI	4,509	2,481	6,990	41.4%	64.1%	47.4%
Under 100% AMFI	5,744	2,873	8,617	52.8%	74.2%	58.4%
Under 120% AMFI	6,878	3,176	10,055	63.2%	82.1%	68.1%
Under 150% AMFI	8,088	3,440	11,528	74.3%	88.9%	78.1%
	Number of Households			% of Households		
ELLSWORTH	Owners	Renters	Total	Owners	Renters	Total
Less than $5,000	13	52	65	0.7%	5.9%	2.4%
$5,000 to $9,999	73	134	207	3.9%	15.3%	7.5%
$10,000 to $14,999	112	167	279	6.0%	19.1%	10.1%
$15,000 to $19,999	135	80	215	7.2%	9.1%	7.8%
$20,000 to $24,999	84	124	208	4.5%	14.2%	7.5%
$25,000 to $34,999	276	116	392	14.7%	13.3%	14.2%
$35,000 to $49,999	367	148	515	19.5%	16.9%	18.7%
$50,000 to $74,999	428	30	458	22.8%	3.4%	16.6%
$75,000 to $99,999	185	15	200	9.8%	1.7%	7.3%
$100,000 to $149,999	163	9	172	8.7%	1.0%	6.2%
$150,000 or more	44	0	44	2.3%	0.0%	1.6%
Total	1,880	875	2,755	100.0%	100.0%	100.0%
Under 30% AMFI	152	203	355	8.1%	23.2%	12.9%
Under 40% AMFI	260	358	618	13.8%	40.9%	22.4%
Under 50% AMFI	360	420	780	19.1%	48.0%	28.3%
Under 60% AMFI	443	508	891	23.5%	58.0%	32.3%
Under 80% AMFI	681	623	1,304	36.2%	71.2%	47.3%
Under 100% AMFI	894	706	1,600	47.6%	80.7%	58.1%
Under 120% AMFI	1,092	782	1,874	58.1%	89.3%	68.0%
Under 150% AMFI	1,314	830	2,144	69.9%	94.9%	77.8%

Income by % of AMFI computed for renters based on 2-person household; computed for owners based on 3-person household. Reference income level is Hancock County median family income (1999 from U. S. Census) adjusted for household size.

Rental Housing Costs and Affordability

Market Rent, Income, and Assisted Rental Housing

In 2003, the median market rent for a 2-bedroom unit in the Ellsworth area was $714 per month according to the Maine State Housing Authority (MSHA). MSHA estimates that 57% of the renters in the City and 53% in the market area could not afford that median rent. Maximum gross rent (including all utilities) for a 2-bedroom unit rented to a Section 8 voucher holder in the area is subject to the HUD Fair Market Rent (FMR) of $577 per month, which is well below the current rental market median estimated at $714 in 2003.

The maximum affordable rent levels for 2-bedroom rental units developed under the Low Income Housing Tax Credit program would need to be at or below a gross rent of $679 per month in a lower income or mixed income development in the area. Such developments may also incorporate market-rate units where the market will support higher rent levels. Table 5 below compares various measures of rental costs and affordability in Ellsworth and the market area.

Table 5

AFFORDABILITY IN RENTAL MARKET	**Ellsworth**	**Ellsworth-Bar Harbor LMA**
Average 2 Bedroom Gross Rent		
2001	$674	$659
2002	$752	$698
2003	$714	$714
% of Renter Households Cannot Afford Average Rent	57%	53%
% of Renter Households Can Afford Median 2 BR Rent	43%	47%
Relevant Program Rent Maximums		
HUD 2-Bedroom Fair Market Rent 2003 (Gross Rent)	$577	Varies with County
Maximum Tax Credit Gross Rent 2004 @ 60% of Median Area Income	$679	Varies with County
Non-Elderly Renters - Very Low Income Need Gap		
Estimated Non-Elderly Renters Earn Under 50% of Median Income	288	1,131
Project-Based (tied to a development)	52	141
Certificates/Vouchers	86	164
Total Subsidized Units Available to Non-Elderly	138	315
Subsidized Portion of Non-Elderly Need	48%	28%

Source: Maine State Housing Authority and HUD income schedules

The MSHA estimates in Table 5 indicate that in 2003 there were 288 non-elderly (family) renters in Ellsworth, and 1,131 in the market area, with very low income (under 50% of AMFI). The MSHA estimates that about 48% of the affordable rental need represented by very low income renters in Ellsworth is being met by available subsidies, and only 28% of the total need is served in the market area.

Table 6 below shows the distribution of rent-assisted housing resources in Ellsworth and the market area. Overall, a total of 421 renter households have some form of rental assistance, representing about 48% of all renters in the City. About 2/3 of the assisted rental units found in subsidized developments in Ellsworth (64%) is in rental housing developments limited to seniors, disabled or special need occupancy. About 36% of Ellsworth's project-based subsidy units are available to the workforce (families) Additional assistance to elderly and non-elderly households is found in Section 8 tenant vouchers which are not tied to a particular project.

Assisted rental housing in the LMA is relatively concentrated in Ellsworth. The City contains about 44% of the market area's subsidized renter households, compared to a 23% share of the LMA's total renter-occupied units and 19% of its households. This distribution is affected, however, by the high proportion of assistance given to the elderly. Within Ellsworth, about 45% of total rental housing subsidy is used by families and 55% is enjoyed by the elderly. Consequently, virtually 100% of the elderly renters in Ellsworth have some form of rent subsidy, compared with about 27% of the non-elderly renters in the City.

Table 6

DISTRIBUTION OF RENT-ASSISTED HOUSING AND SECTION 8 CERTIFICATES IN MARKET AREA
ELLSWORTH AND THE LABOR MARKET AREA

LOCATION/TYPE OF ASSISTANCE	Total	Family	Elderly	Disabled & Special Needs	Percent Family	Percent Elderly, Disabled, Or Special Needs
ASSISTED RENTAL HOUSING DEVELOPMENTS (1)						
ELLSWORTH	282	102	142	38	36%	64%
BALANCE OF LMA	398	89	309	0	22%	78%
TOTAL LABOR MARKET AREA	680	191	451	38	28%	72%
SECTION 8/VOUCHER CERTIFICATES (2)						
ELLSWORTH	139	86	53	0	62%	38%
BALANCE OF LMA	143	78	62	3	55%	45%
TOTAL LABOR MARKET AREA	282	164	115	3	58%	42%
TOTAL RENTER HOUSEHOLDS ASSISTED						
ELLSWORTH	421	188	195	38	45%	55%
BALANCE OF LMA	541	167	371	3	31%	69%
TOTAL LABOR MARKET AREA	962	355	566	41	37%	63%
ELLSWORTH SHARE-UNITS IN ASSISTED PROJECTS	*41%*	*53%*	*31%*	*100%*		
ELLSWORTH SHARE OF CERTIFICATE ASSISTANCE	*49%*	*52%*	*46%*	*0%*		
ELLSWORTH SHARE OF TOTAL ASSISTED RENTERS	*44%*	*53%*	*34%*	*93%*		

Cost Burden: Gross Rent as Percent of Income

A gross rent that is less than 30% of household income is generally considered affordable. In Ellsworth, despite the considerable number of subsidized units and vouchers available, 45% of renters spent 30% of their income or more on gross rent, over 1/3 spent 35% or more, and more than one in 5 renter households spent 50% or more of their income on gross rent in 2000. In 2003, a household would need a minimum income of $28,560 to afford the median gross market rent of $714.

Table 7

GROSS RENT AS PERCENT OF INCOME (2000 CENSUS)
ELLWORTH RENTER HOUSEHOLDS

	Number	% of Total
Total	842	100.0%
Less than 10 percent	41	4.9%
10 to 14 percent	94	11.2%
15 to 19 percent	82	9.7%
20 to 24 percent	89	10.6%
25 to 29 percent	107	12.7%
30 to 34 percent	72	8.6%
35 to 39 percent	56	6.7%
40 to 49 percent	44	5.2%
50 percent or more	163	19.4%
Not computed	94	11.2%
Total Computed	748	100.0%
Spend 30% +	335	44.8%
Spend 35%+	263	35.2%
Spend 50%+	163	21.8%

As shown in Table 8 below, a breakdown of the City's renter households by income and housing cost shows that 78% of the 335 renters with a high rental cost burden (30% or more of income) were non-elderly (workforce) households. In Ellsworth, most of the households with a high rental cost burden in 2000 had incomes below $20,000 per year, which is below the median renter household income in Ellsworth. (See Table 9.) In the market area outside of Ellsworth, high cost burdens also affected a significant number of households earning up to $35,000. In the absence of the rent subsidies currently available, the number of households with a high cost burden would be significantly higher in the Census counts

Table 8

GROSS RENT AS PERCENT OF HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER IN 2000 - ELLSWORTH

Age of Head of Household	Total Renters	Gross Rent as Percent of Income: Under 20%	20-24%	25-29%	30-34%	35%+	Not computed	Renters Spending 30%+: Number	% of Computed
15 to 24 years	62	7	0	16	0	39	0	39	62.9%
25 to 34 years	184	81	8	15	29	43	8	72	40.9%
35 to 44 years	165	50	8	20	20	36	31	56	41.8%
45 to 54 years	135	8	18	31	15	38	25	53	48.2%
55 to 64 years	117	36	23	9	0	41	8	41	37.6%
65 to 74 years	70	16	7	0	8	24	15	32	58.2%
75 years +	109	19	25	16	0	42	7	42	41.2%
Total	**842**	**217**	**89**	**107**	**72**	**263**	**94**	**335**	**44.8%**
Under 65	663	182	57	91	64	197	72	261	44.2%
Age 65+	179	35	32	16	8	66	22	74	47.1%
Percent Under 65	79%	84%	64%	85%	89%	75%	77%	78%	

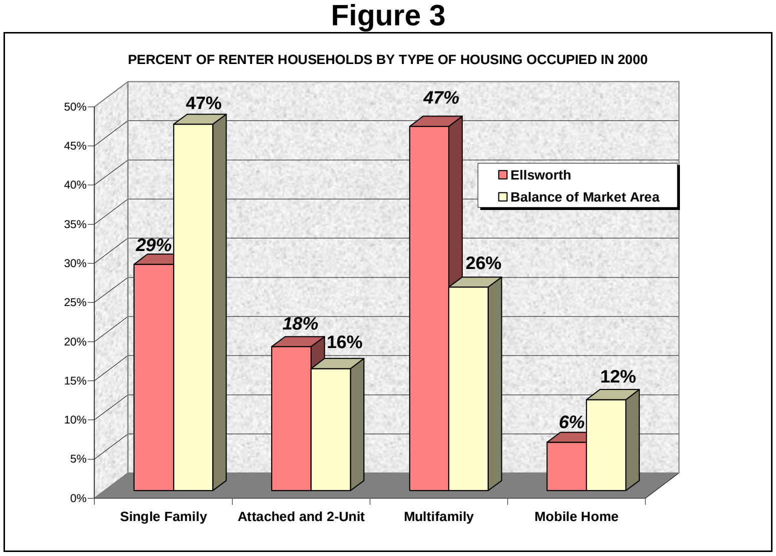
Table 9

GROSS RENT AS PERCENT OF HOUSEHOLD INCOME BY INCOME RANGE IN 2000 - ELLSWORTH

Household Income in 1999	Total Renters	Gross Rent as Percent of Income: Under 20%	20-24%	25-29%	30-34%	35%+	Not computed	Renters Spending 30%+: Number	% of Computed
Less than $10,000	186	9	0	24	8	129	16	137	80.6%
$10,000 to $19,999	239	36	25	15	34	112	17	146	65.8%
$20,000 to $34,999	240	57	38	61	30	22	32	52	25.0%
$35,000 to $49,999	131	76	26	7	0	0	22	0	0.0%
$50,000 to $74,999	22	22	0	0	0	0	0	0	0.0%
$75,000 to $99,999	15	8	0	0	0	0	7	0	0.0%
$100,000 or more	9	9	0	0	0	0	0	0	0.0%
Total	**842**	**217**	**89**	**107**	**72**	**263**	**94**	**335**	**44.8%**

One of the possible factors affecting the cost of the area's rental housing supply is that 43% of the market area's renters occupy single family detached homes (29% in Ellsworth and 47% in the balance of the market area). (See Figure 3) Single family homes often cost more to rent and to heat than smaller multifamily units.

Figure 3



Figures 4 and 5 below show the number and proportion of cost-burdened renter households by income range based on 2000 Census data. In both Ellsworth (Figure 3) and the market area (Figure 4), a high rental cost burden is concentrated most heavily among households earning less than 40% of median area income. A large proportion of renters earning 40-60% of AMFI also had a high cost burden. While cost burden is not as significant at incomes over 60% of median area income, the general availability of rental housing to the labor force remains an issue for accommodating employees who are trying to locate housing in the market area.

Figure 4 – Ellsworth Renter Cost Burden

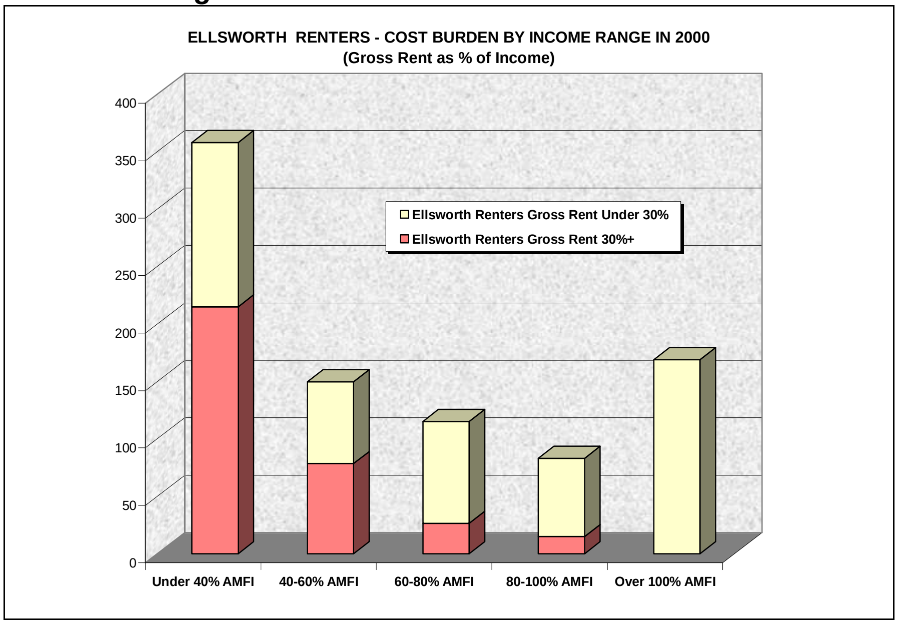
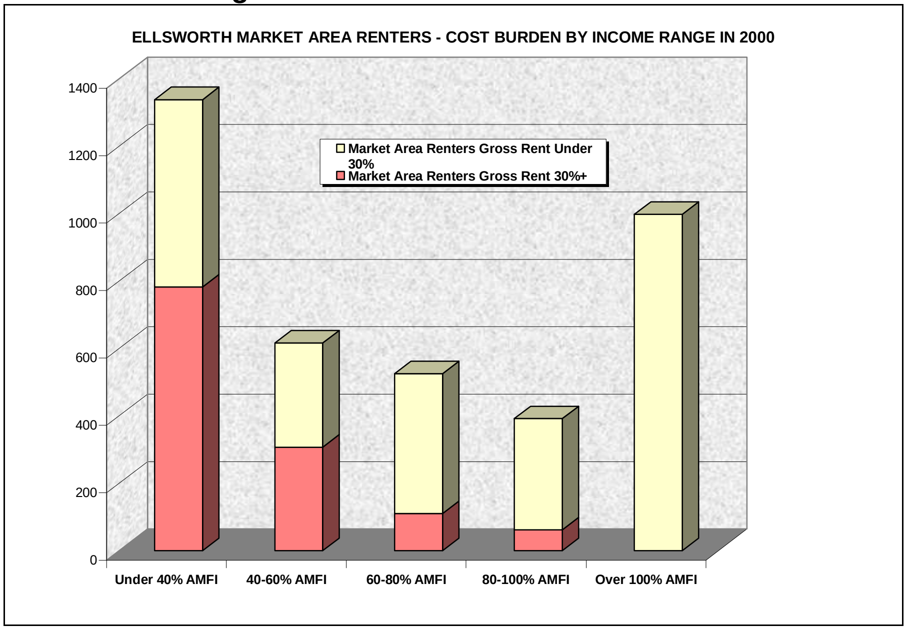


Figure 5 – Area Renter Cost Burden



Cost and Affordability of Homeownership

Ellsworth Home Prices

The median priced single family home in Ellsworth (excluding waterfront and seasonal homes) was $133,500 in 2003. The median price increased by $54,500 between 1999 and 2003, representing an average annual increase of over 17% per year. (See Table 10 and Figure 6.)

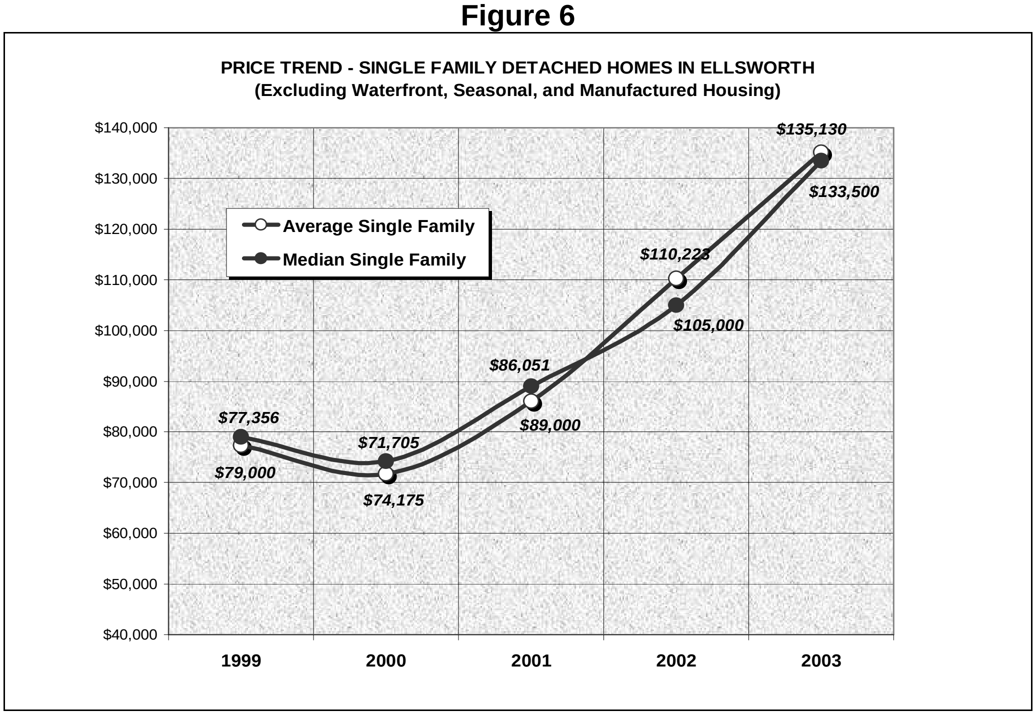
Table 10

Ellsworth Single Family Home Sales Excluding Waterfront and Seasonal Units, and Manufactured Housing Units (Mobile Homes)

Year Sold	Gross Sales	Total Acreage of Lots	Total Units	Average Price	% Change in Avg Price	Median Price	% Change in Median Price	Median Lot Size	Average Lot Size
1999	$8,509,155	332.51	110	$77,356	---	$79,000	---	0.93	3.02
2000	$4,589,150	131.67	64	$71,705	-7.3%	$74,175	-6.1%	0.99	2.06
2001	$10,498,238	253.71	122	$86,051	20.0%	$89,000	20.0%	1.01	2.08
2002	$12,014,322	221.56	109	$110,223	28.1%	$105,000	18.0%	1.06	2.03
2003	$12,567,115	168.39	93	$135,130	22.6%	$133,500	27.1%	0.98	1.81
Total/Avg 1999-2003	$48,177,980	1,107.84	498	$96,743	18.7%	$92,000	17.2%	1.00	2.22
					per year 4-yr avg		per year 4-yr avg		

Source: Consultant estimates from tabulation of City's sales data (Assessor's information)

Figure 6



Source: Consultant estimates from tabulation of City's sales data (Assessor's information)

The average sales price of single family homes in Ellsworth during 2002-2003 (2-year average) was just under $122,000. Most sales occurred in the R1 and R2 zoning districts. While average lot size of homes sold in the R1 districts was less than half the average in the R2 zone, the average price was about the same in the two areas. (See Table 11.)

Table 11

ELLSWORTH SINGLE FAMILY SALES 2002-2003 BY ZONING DISTRICT

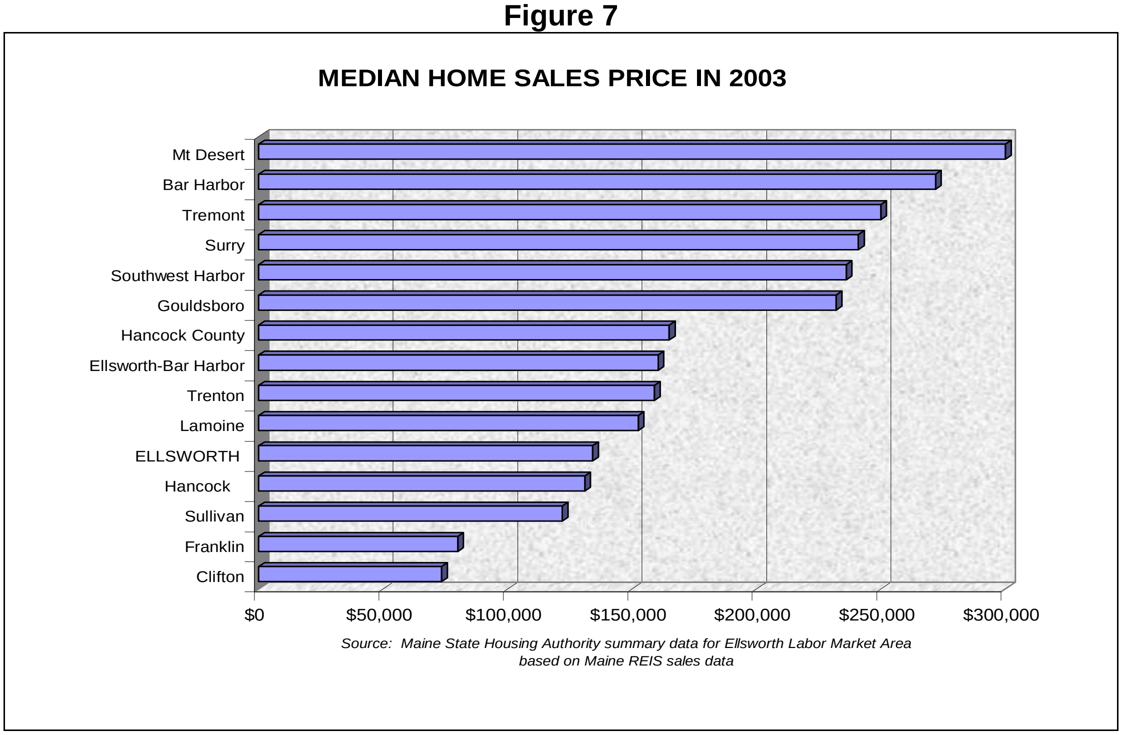
Zoning District	Gross Sales	Acres	Number of Sales	Average Price	Average Lot Size
CLI Commercial-Light Industrial	$384,650	6.1	5	$76,930	1.2
C1 Commercial	$313,000	0.4	4	$78,250	0.1
C2 Retail & Service	$814,000	10.2	8	$101,750	1.3
R1A Urban Residence & Office	$1,263,400	3.6	12	$105,283	0.3
R1 Urban Residence	$7,130,175	50.3	57	$125,091	0.9
R2 Rural Residence & Farming	$13,200,786	242.7	104	$126,931	2.3
R3 Natural Resource	$1,410,426	75.4	11	$128,221	6.9
Total/Average 2002 through 2003	$24,516,437	388.7	201	$121,972	1.9

Source: Consultant estimates from tabulation of City's sales data (Assessor's information)

Area Home Prices

The Maine State Housing Authority tracks pricing and affordability trends throughout Maine. Figure 7 shows the median home prices in 2003 for Ellsworth and many of the communities in the market area.

Figure 7



The MSHA price data exclude waterfront units, but do not necessarily exclude seasonal residences or second home property. The presence of these units in the database may have some influence on the median market price computed for the region. Nevertheless, prices in the island communities are significantly higher than in Ellsworth, making the City a comparatively affordable location within its market area.

Home Affordability Relative to Income

Table 12 below illustrates the MSHA's estimates of the affordability of median priced homes relative to the median household income for the given area. While Ellsworth has a lower affordability index (the relationship between the price affordable to the median income to the actual median price in the area), the City remains more affordable relative to local income than the balance of the market area, where the coastal location has a greater influence on price. In Ellsworth, the median price is about 20% higher than what the Ellsworth median income household can afford. In the market area, the median price is about 36% higher than what the median household could afford. Consequently, Ellsworth appears to have captured a large share of MSHA first time buyer activity (44% of the market area total for 1999-2003).

Table 12 – Home Prices and Income

AFFORDABILITY OF HOMEOWNERSHIP	**Ellsworth**	**Ellsworth-Bar Harbor LMA**	**Hancock County**	**Maine**
Price and Affordability in 2003				
Median Home Price (1)	$134,213	$160,500	$165,000	$150,000
Purchase Price Affordable at Median Household Income	$113,021	$117,627	$119,160	$121,532
Price Gap	$21,192	$42,873	$45,840	$28,468
Median Price Ratio to Affordable Price	1.19	1.36	1.38	1.23
Minimum Income Needed to Afford Median Price Home	$46,438	$53,894	$55,235	$51,400
Estimated Median Household Income	$39,030	$39,524	$39,904	$41,645
Income Gap	$7,408	$14,370	$15,331	$9,755
Affordability Index (<1 is lower afffordability)	0.84	0.73	0.72	0.81
% of Homes Sold Above the Price Affordable to Median Income Households	73%	73%	73%	66%
% of Homes Sold At or Below the Price Affordable to Median Income Households	27%	27%	28%	34%
% of Households Cant Afford Median Price Home	59%	66%	66%	62%
% of Households Can Afford Median Price Home	42%	34%	34%	38%

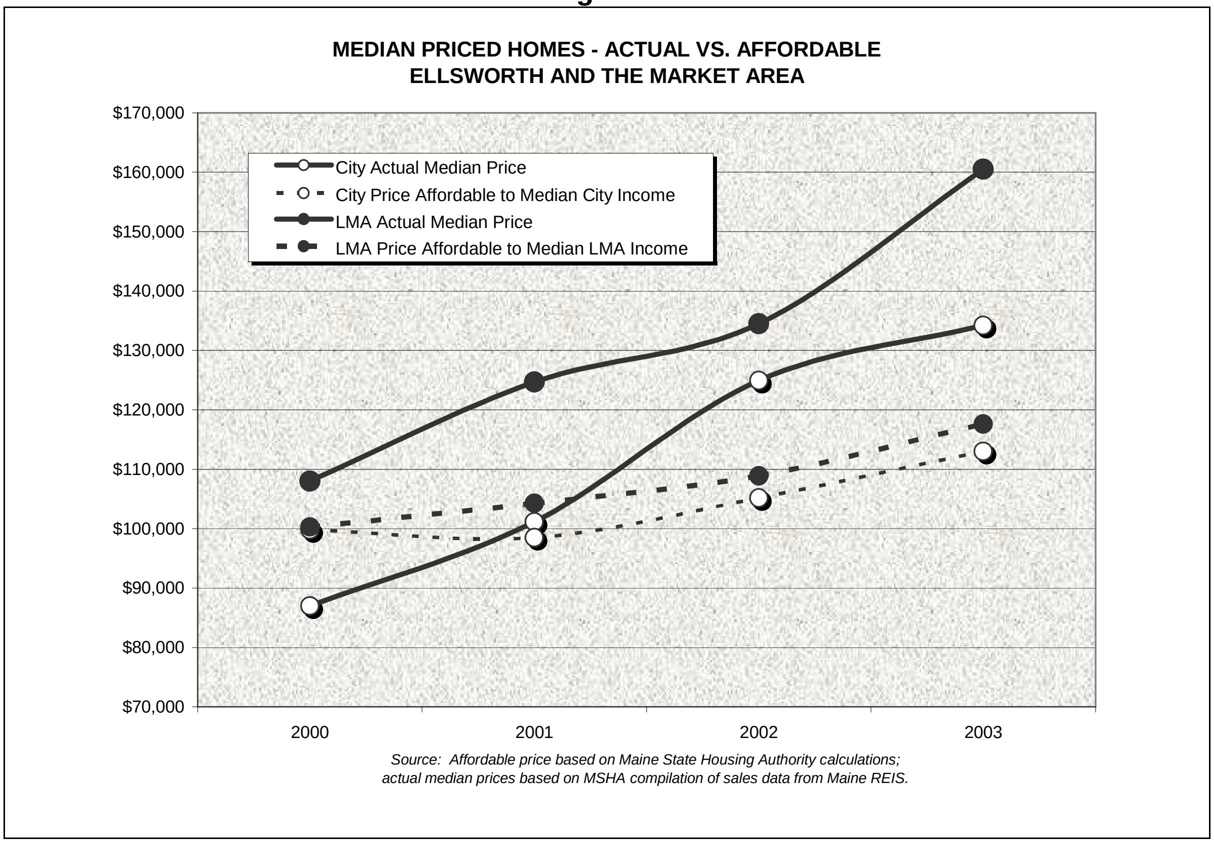
1st-Time Buyers Assisted with MSHA Mortgages	**Ellsworth**	**Ellsworth-Bar Harbor LMA**	**Ellsworth Share of Market Area's MSHA Buyers**
1999	13	37	35%
2000	11	22	50%
2001	6	12	50%
2002	10	17	59%
2003	4	11	36%
Total for Period 1999-2003	44	99	44%

(1) The median price includes sales of single family, condominium, and mobile homes on their own lot. It excludes seasonal units and homes on large lots over 10 acres. Sales may include waterfront homes.

Source: All of the above data is based on information compiled by the Maine State Housing Authority using in-house data, income estimates from Claritas, Inc. and Maine Real Estate Information System (MREIS)sales information.

Using data from the MSHA, Figure 8 below tracks the relationship between median price and the price affordable to households of median income in Ellsworth and the market area. In both the City and the market area, pricing increases have greatly exceeded the estimated growth of local and area household income.

Figure 8

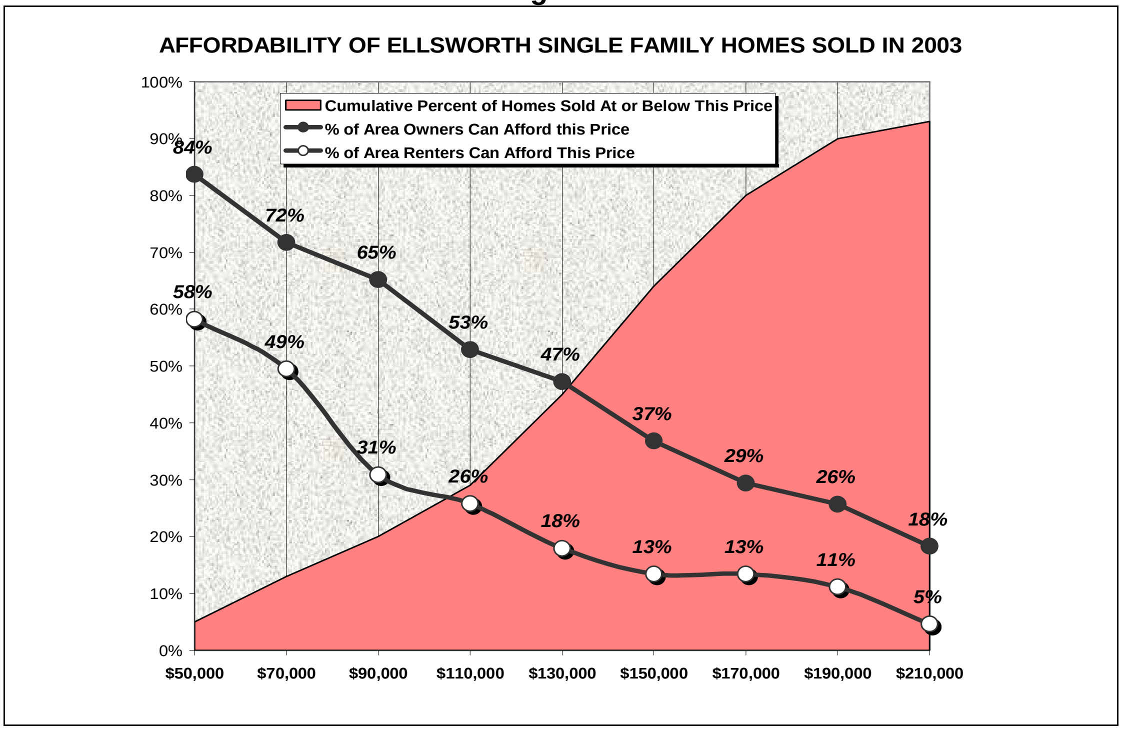


The MSHA method compares affordability based on the *overall* median household income for the area of analysis. However, the prospective first-time buyer market is composed of *renters,* whose incomes are lower than that of the average household. (The majority of households are homeowners – 68% in Ellsworth and 74% in the market area).

Figure 9 (next page) illustrates the relationship between the price distribution of single family homes in Ellsworth and the percent of market area owners and renters that could afford that price level. The graph also shows the cumulative percentage of homes sold at or below the indicated price.

For example, 31% of renters and 65% of homeowners in the area could afford a home costing $90,000, but less than 20% of the homes sold in Ellsworth in 2003 were at or below that price. There are relatively few opportunities affordable to the majority of renters to cross over into ownership. At the 2003 median price of just over $130,000, less than 18% of renters could afford to purchase such a home, provided they have an adequate down payment.

Figure 9

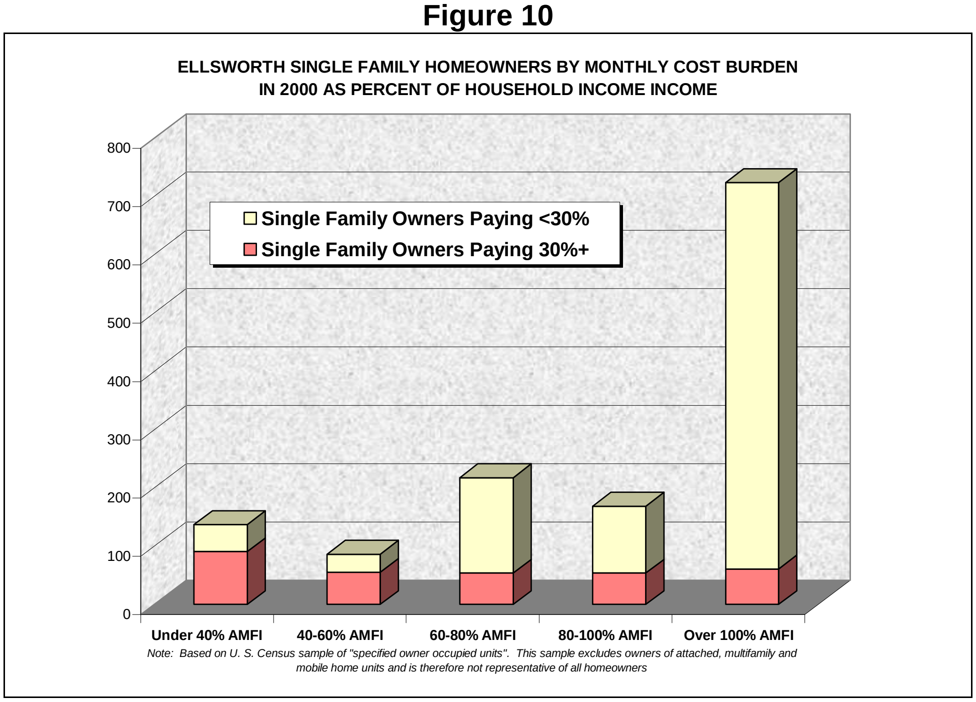


Source: Consultant estimates of income distribution by tenure and analysis of City's sales data (Assessor's information)

<u>Single Family Ownership Cost as Percent of Income in 2000</u>

Based on analysis of 2000 Census data, at incomes less than 60% of AMFI, about 2/3 of single family homeowners in Ellsworth pay 30% or more of their income toward monthly ownership costs. (Figure 10)

Figure 10

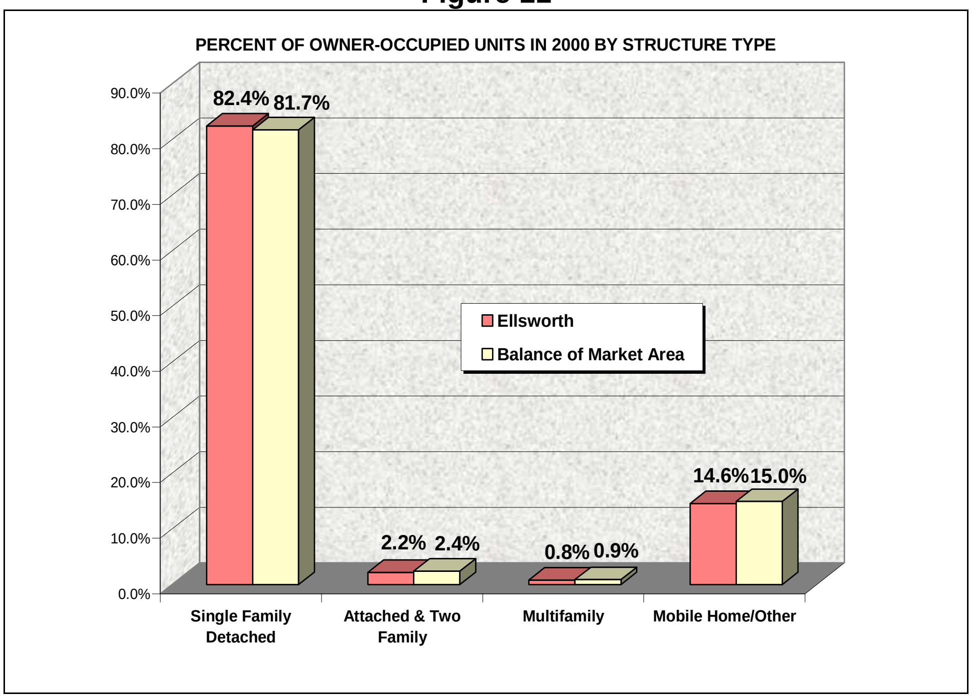


At 60-80% of AMFI, about 25-32% of single family homeowners have a high cost burden. At 100% of AMFI, only 8% of single family homeowners have a high cost burden. Overall, about 24% of the City's single family homeowners spend 30% or more of their income on monthly ownership costs. [Note-the cost burden data for owners is based on a Census sample that excludes owners of mobile homes and attached or multifamily housing; therefore the data is representative of single family owners only].

Owner-Occupied Units by Structure Type

In both Ellsworth and the market area, ownership opportunities in the year round market are limited to single family and mobile home units (see Figure 11). Owner-occupancy of attached (including townhouse), duplexes, and multifamily housing (three units or more) is virtually non-existent. To some degree, this reflects market preference, but may also indicate an opportunity to increase the diversity of ownership alternatives for year-round households in the City and the market area.

Figure 11



Recent Housing Development Activity and Projected Needs

Building Permit Records

Based on Ellsworth building permit records, 422 additional housing units were authorized by permits issued from 1999-January 2004. About 66% of the activity has been in single family detached housing, 14% in duplex and multifamily units, and 20% in mobile home and doublewide housing.

The average reported construction cost per single family unit was $129,335 during 2003 (excludes land and site development), up from about $100,700 per unit in 1999. Nearly all new housing development in Ellsworth is taking place on lots not served by public water or sewer, necessitating additional site development costs.

Table 13

Housing Units Authorized by Building Permit in Ellsworth - Net of Demolitions

	Housing Units				
Structure Type	1999	2000	2001	2002	2003
Single Family Detached	35	46	67	60	72
Two-Family Structures	2	6	0	5	0
Three or More Family Structures	3	4	12	16	8
Manufactured Housing (1)	31	21	12	8	14
Total	71	77	91	89	94

(1) Includes mobile homes and double-wide units; excludes replacement units
Source: Consultant tabulation of assessor's permit data base

Table 14
Units Authorized and Construction Value

Year	Type Residence	Units	Estimated Construction Value Reported	Average Construction Value Per Unit
1999	1 Family	35	$3,524,560	$100,702
	2 Family	2	$93,000	$46,500
	3+ Family	3	$80,000	$26,667
	Double-wide	13	$613,227	$47,171
	Mobile Home	18	$336,295	$18,683
2000	1 Family	46	$4,224,073	$91,828
	2 Family	6	$180,000	$30,000
	4 Family	4	$140,000	$35,000
	Double-wide	7	$305,200	$43,600
	Mobile Home	14	$195,950	$13,996
2001	1 Family	67	$6,811,154	$101,659
	2 Family	0	$0	n.a.
	3+ Family	24	$836,000	$34,833
	Double-wide	5	$207,400	$41,480
	Mobile Home	7	$58,243	$8,320
2002	1 Family	60	$7,128,400	$118,807
	2 Family	5	$240,000	$48,000
	3+ Family	16	$740,000	$46,250
	Double-wide	1	$50,000	$50,000
	Mobile Home	7	$143,000	$20,429
2003 to January 2004	1 Family	79	$10,217,452	$129,335
	2 Family	0	$0	n.a.
	3+ Family	12	$555,000	$46,250
	Double-wide	5	$358,400	$71,680
	Mobile Home	11	$137,600	$12,509

Source: Consultant tabulation of assessor's building permit data files

The proportion of recent housing development activity that is intended for year-round vs. seasonal occupancy is not known, but most is believed to be related to construction of primary residences. If so, then the recent pace of development is stronger than anticipated by the State Planning Office projections of growth in the year-round housing supply for Ellsworth.

MSPO Housing Supply Projection

The Maine State Planning Office (MSPO) projections (which are limited to growth of the year-round housing stock) anticipate growth of 337 units in the City for the entire period 2000-2015, which averages about 22 units per year. Even if some of the housing development activity listed above is for seasonal owners, the annual pace of housing growth indicated by the building data is much higher than the long-term MSPO projections indicate.

Table 15

MAINE STATE PLANNING OFFICE - PROJECTIONS OF HOUSING SUPPLY

	2000	2005	2010	2015	2000-2015
Total for LMA					
Year Round Housing Stock	15,092	16,217	17,198	18,162	3,070
Owner	11,019	11,869	12,597	13,332	2,313
Renter	4,073	4,348	4,601	4,830	757
Owner %	73.0%	73.2%	73.2%	73.4%	
Renter %	27.0%	26.8%	26.8%	26.6%	
Ellsworth					
Year Round Housing Stock	2,827	2,939	3,036	3,164	337
Owner	1,909	2,001	2,081	2,190	281
Renter	918	938	955	974	56
Owner %	67.5%	68.1%	68.5%	69.2%	
Renter %	32.5%	31.9%	31.5%	30.8%	
Ellsworth Share of LMA					
Year Round Housing Stock	18.7%	18.1%	17.7%	17.4%	
Owner	17.3%	16.9%	16.5%	16.4%	
Renter	22.5%	21.6%	20.8%	20.2%	

Source: Compiled from MSPO municipal-level projections

Employment and Population Based Projections of Supply Need

Housing demand projections are more reliable when estimated for a region than for a specific city or town. The projections below (Tables 16 and 17) assume a relationship between the number of jobs in the market area (Ellsworth-Bar Harbor Labor Market Area or LMA), the number of working residents, and the ratio of households to working residents to households based on 2000 characteristics. Employment growth rates (compound rates) of 1%, 1.5%, and 2% were applied in a growth model to estimate the number of housing units that would be required to support several rates of job growth, assuming that commuting patterns in and out of the region remain constant. (See alternatives A, B and C.)

During the 1990s, the area's employment grew by a compound annual rate that exceeded 2% per year, but this growth rate represents change from a base year in which unemployment was high. A growth rate of 1.5% per year is consistent with the rate of increase in the number of persons working in the market area between 1990 and 2000 based on the U. S. Census. Though the MSPO population projections are not tied to employment growth projections, the resulting housing demand estimates shown below are consistent with the model's results at job growth levels of between 1% and 1.5% per year.

Alternative D represents the application of the same model, but without any employment growth assumptions. That alternative is based on population projections for the communities of the labor market area prepared by the MSPO. Components of the model include allowances for changes in household size, maintaining and adequate vacancy rate to preserve housing choice, and an adjustment to reflect replacement of housing units likely to be lost to deterioration and demolition.

Ellsworth's potential growth in housing supply was estimated in a high-low range that reflects the result of applying the City's percentage of the market area's ownership and rental units in 1990 and 2000, and applying those percentages to the regional supply projected for 2010. The change for 2000-2010 for the market area and Ellsworth represents the change in the total year-round housing stock (occupied units plus units vacant for rent or for sale) needed to support the employment and population growth assumptions.

Table 16
MARKET AREA AND LOCAL HOUSING DEMAND POTENTIAL
BASED ON ALTERNATIVE EMPLOYMENT GROWTH ASSUMPTIONS
TEN YEAR SUPPLY GROWTH (2000-2010)

Alternative:	A	B	C	D
Household Tenure	Area Job Growth 1 % per year	Area Job Growth 1.5% per year	Area Job Growth 2% per year	Projected Based on MSPO Population Projection
Labor Market Area Growth Potential				
Owner	1,353	1,974	2,623	1,461
Renter	478	706	944	518
Total	1,832	2,680	3,567	1,979
Ellsworth Potential Share of Growth Growth 2000-2010				
Owner	233-282	340-392	451-506	251-301
Renter	107-179	158-233	212-290	116-188
Total	340-461	498-625	663-796	367-489

The average of projections under alternatives A, B and D indicates a housing need of 465 year round units in Ellsworth between 2000 and 2010 About 300 units of ownership housing (65% of construction) would be needed, and about 165 units of rental housing (35% of development). If employment growth were to be sustained at the higher level of 2% per year, total housing development needs would rise to 730 units over 10 years, with about 480 for ownership units and 250 in rental housing development. Each of these scenarios presumes that Ellsworth's share of housing construction would be reasonably consistent with historic ratios; however, these ratios can shift over time depending on the cost and availability of land in other communities of the market area.

Table 17 – Regional Supply Model Illustrating Scenarios A, B, and D

ELLSWORTH MARKET AREA	1990	2000	Change 1990 to 2000	Percent Change 1990-2000	2010 Employment Based Projection 1	2010 Employment Based Projection 2	2010 Based on MSPO Population Projection
Covered Employment (Jobs) in LMA	12,558	16,460	3,902	31.1%	18,182	19,103	
Census Data-persons working							
Persons Working in LMA (Census) - Age 16+	14,379	16,739	2,360	16.4%	18,490	19,426	
Work in LMA and live in LMA	12,343	12,953	610	4.9%	14,308	15,032	
Work in LMA but live outside LMA	2,036	3,786	1,750	86.0%	4,182	4,394	
% Commute Into LMA	14.2%	22.6%			22.6%	22.6%	
Resident Civilian Labor Force	17,319	21,185	3,866	22.3%	23,371	24,555	
Employed	16,405	20,100	3,695	22.5%	22,203	23,327	
Unemployed	914	1,085	171	18.7%	1,169	1,228	
Unemployment rate	5.3%	5.1%			5.0%	5.0%	
Ratio Labor Force to Jobs	1.20	1.27			1.26	1.26	
Ratio Households to Total Working Residents	0.75	0.73			0.73	0.73	
Employed Residents Per Household	1.33	1.36			1.36	1.36	
Total Population	31,245	34,346	3,101	9.9%	37,181	39,063	37,507
Group Quarters Population	878	338	-540	-61.5%	366	384	369
Population in Households	30,367	34,008	3,641	12.0%	36,815	38,678	37,138
Average Household Size	2.46	2.31	-0.15	-6.1%	2.26	2.26	2.26
Total Households	12,360	14,749	2,389	19.3%	16,292	17,117	16,435
Owners	9,121	10,879	1,758	19.3%	12,017	12,626	12,123
Renters	3,239	3,870	631	19.5%	4,275	4,491	4,312
Ownership Tenure %	73.8%	73.8%			73.8%	73.8%	73.8%
Rental Tenure %	26.2%	26.2%			26.2%	26.2%	26.2%
Vacant for Sale Units	178	219	41	23.0%	245	258	247
Vacant for Rent Units	314	221	-93	-29.6%	225	236	227
Vacant-Occasional Use, Seasonal, Migratory	6,782	7,205	423	6.2%	not projected		
Other Vacant Units	827	523	-304	-36.8%	not projected		
Total Vacant/Seasonal/Occ Use Units	8,101	8,168	67	0.8%	not projected		
Total Housing Units	20,461	22,917	2,456	12.0%	not projected		
Vacancy Rate Ownership	1.9%	2.0%			2.0%	2.0%	2.0%
Vacancy Rate Rental	8.8%	5.4%			5.0%	5.0%	5.0%
Vacancy Rate Total	3.8%	2.9%			2.8%	2.8%	2.8%
Add Replacement for Deterioration, Demolition - Ownership					189	189	189
Add Replacement for Deterioration, Demolition - Rental					70	70	70
Add Replacement for Deterioration, Demolition - Total					258	258	258

Housing Supply Available for Year-Round Occupancy	1990	2000	Change 1990 to 2000		Tenure	2010 Housing Supply A	2010 Housing Supply B	2010 Housing Supply C
Total Ownership Stock Except Sold, Not Occ.	9,299	11,098	1,799	19.3%	Owner	12,451	13,072	12,559
Total Rental Units Except Rented, Not Occ.	3,553	4,091	538	15.1%	Renter	4,569	4,797	4,609
Total Stock Occupied or Available	12,852	15,189	2,337	18.2%	Total	17,021	17,869	17,168

Net Production Need 2000-2010

Tenure	Supply Growth A	Supply Growth B	Supply Growth C
Owner	1,353	1,974	1,461
Renter	478	706	518
Total	1,832	2,680	1,979

Assumptions of Housing Supply Model

Employment-Based Projections

1. Employment growth estimates (1% to 2% per year) were applied to the number of persons working in the LMA (Census based)

Summary of Housing Market Characteristics and Need Gaps

Rental Housing

- Demand for a limited number of rental units is pushing rents higher. There have been some market rate rental developments on small scale, and no recent subsidized or tax credit developments for non-elderly households.
- Local and area employees are traveling further to access housing, especially rental housing.
- About 48% of all renters in Ellsworth have some form of rental housing subsidy. Most households with rental assistance do not live in assisted housing developments, but apply their rental assistance to available rentals scattered throughout the community. About 82% of project-based rent assistance in the City, however, is in senior housing developments.
- Virtually 100% elderly renters in Ellsworth have rental subsidies, but only about 20% of all non-elderly renters in Ellsworth have some type of rental assistance.
- Assisted rental housing projects in Ellsworth contain only 52 units available to workforce families. Rent assistance for families depends primarily on the use of tenant vouchers in the general marketplace. The capacity to use these subsidies in turn relies on the availability of a supply of standard quality rental units available in the private marketplace.
- Given the high proportion of local renters who are subsidized (48%), a balanced local housing stock should probably a higher proportion of market-rate and mixed income rental housing.
- Unsubsidized and mixed income rental housing available at a gross rent of between $600 and $900 would be affordable to renters earning between 60-80% of AMFI. Rental housing for households earning less than 60% of AMFI is likely to require subsidized or tax credit housing. In Ellsworth, however, over 2/3 of the renters with high cost burdens have incomes under 40% of AMFI; the relief of cost burden at this level requires direct rental subsidy assistance.

Ownership

- The gap between median income and median home prices is widening in Ellsworth, though prices in Ellsworth are comparatively affordable compared with the rest of the Ellsworth-Bar Harbor market area
- While the median price home in Ellsworth is relatively low compared to the market area, the local median price is still affordable to only about 15-18% of local renters (potential first time buyers).
- The market area and the City offer few homeownership alternatives other than single family detached housing and mobile homes.

- Most local renter households have very low incomes, and few have the capacity to support home ownership. Deep discounts below median market pricing would be needed to bring most local renters into the ownership market.

- About 70% of Ellsworth's renter households have incomes under 80% of AMFI (adjusted to typical renter household size). A home would need to be priced at or below $75,000 to be affordable to households earning 60% of AMFI or less. At 80% of AMFI, home prices would need to at or below $100,000 to be affordable. In 2003, the median price of an existing home in Ellsworth was $133,500 (excluding waterfront and seasonal units).

- At the median household income level, renter households could afford homes priced between $100,000 and $120,000. Renter household incomes between 100-120% of AMFI would support home prices of between $120,000 and $150,000. However, only about 10% of renters in Ellsworth have incomes over 120% of AMFI, adjusted for household size. The number of renters living in the City who could afford prices of $120,000 or more is extremely limited.

- Because of the very low incomes of local renters, any first time buyer initiatives, especially for new construction, should not be limited to local residents, but should also give priority to persons (either living or working in Ellsworth or the other towns of the Ellsworth LMA .

<u>Housing Supply</u>

- Over a 10-year period, the Ellsworth-Bar Harbor LMA will need 2,000-2,700 year-round housing units to provide a housing supply to keep pace with typical employment growth. Of this total, 500-700 units or rental housing should be produced within the market area.

- At historic shares of market area totals, Ellsworth could probably absorb between 400 and 600 total year-round housing units, with 150 to 250 supportable as rental housing. Actual development in any particular community will vary with land availability, cost and local regulation.

- Housing development sites served by public water and sewer are rare, and such land is expensive where available.

- Public water and sewer capacity in the City is not being used to its full advantage to enable higher density, lower cost development. Rural sites are more attractive for housing development due to higher land and infrastructure costs where utilities are available. Incentives for connection to public utilities could bring a greater proportion of new development into the City's growth areas and closer to the center of employment.

Table 18 – City Household Incomes by Tenure

Income Range as % of AMFI	2-Person Income 2004	3-Person Income 2004	Maximum Gross Rent Affordable	Maximum Affordable Home Price Range		Likely Housing Option
40%	$15,175	$18,120	$380-$450	$40,000	$50,000	Subsidized Rent
60%	$22,763	$27,180	$570-$680	$60,000	$75,000	Below Market or Tax Credit Rent, Own MH in Park
80%	$30,350	$36,200	$760-$900	$80,000	$100,000	Market Rent, Mobile Homes, Attached Ownership
100%	$37,938	$45,300	$950-$1,130	$100,000	$125,000	Attached and Lower Cost Single Family Ownership
120%	$45,525	$54,360	$1,140-$1,360	$120,000	$150,000	Below Market to Market Rate Ownersnip

Income Range as % of AMFI	Ellsworth Renter Households	Subtotal with Cost Burden 30%+	Percent with High Cost Burden	Need or Demand Potential
< 40%	358	200	56%	Requires deep subsidy (Section 8) - project based subsidies now rare
40-60%	150	60	40%	Tax credit rent levels supportable; some eligible for tenant vouchers
60-80%	115	20	17%	Could afford market rents; ownership of mobile home; below-market townhouse possible
80-100%	83	10	12%	Crossover to ownership in lower cost units: attached, townhouse, mobile home
100-120%	76	0	0%	Possible target market for higher density single family detached new homes
120%+	93	0	0%	Generally able to afford mid-priced existing home; lower priced new home
Total	875	290	33%	

Income Range as % of AMFI	Ellsworth Owner Households	Subtotal - Single Family Owners with Cost Burden 30%+ (1)	Single Family Owners with High Cost Burden as % of All Owners (1)	Need or Demand Potential
< 40%	260	91	35%	Senior crossover to rent in subsidized rental; CDBG assistance to owners for home rehab
40-60%	183	55	30%	Senior crossover to tax credit rental; CDBG assistance to owners for home rehab
60-80%	239	53	22%	Senior crossover to downsized ownership (townhouse, MH park); CDBG for home rehab
80-100%	213	54	25%	Move-up buyer for downsized new home: attached, townhouse, mobile home
100-120%	197	43	22%	Move-up buyer for new homes in affordable or mixed income subdivision
120%+	788	19	2%	Move-up buyers for new homes in market-rate subdivisions
Total	1880	314	17%	

(1) For homeowners, data on cost burden available only for those homeowners who occupy single family detached homes, excluding mobile homes

Another way of evaluating gaps in the local housing inventory relative to demand is to envision housing types and costs as an opportunity "ladder". Younger workforce households enter the labor market and may need low cost or subsidized rental housing. Those with higher wages may be able to afford market rate rentals, and later enter the existing home market. Once they build equity and as their earnings rise they may enter the "move-up" market, climbing the ladder by selling their existing home and buying a newly constructed house.

As households age, they are likely to retain ownership into their 70s, then begin looking for less burdensome housing options, descending the ladder toward lower maintenance housing such as in mobile home parks or subdivisions, condominium communities, or age-restricted developments. The eldest households later seek rental housing or housing with supportive services. When the homes of these seniors are sold, the homes become a buyer opportunity for younger workforce housing. When a market offers a diversity of housing, both in price and type of unit, households can benefit as an active "housing ladder" is created.

Table 19
WORKFORCE HOUSING LADDER ANALYSIS FOR ELLSWORTH

HOUSING PRODUCT	MARKET ORIENTATION	ELLSWORTH CONDITIONS
Workforce Housing Ladder (Low to High Cost)		
Low Cost and Rental Housing	Lower wage, single income households, unemployed	Significant need pool, but Ellsworth has high share of subsidized households; modest supply of family subsidized projects
Market Rental Housing	Low to mid-level income workforce	High demand; small projects have been developed mostly in 4-unit buildings
Manufactured Housing in Parks	Mid-level income workforce	Several older MH parks exist. MH units limited to parks in R-1 and R-1A districts
Manufactured Housing on Owned Lots	Mid-level income workforce	Zoning allows units in most residential land areas of the City. However, new single family subdivisions generally include covenants to limit conflict with traditional single family homes.
Attached and 2+ Family Ownership - Existing	Mid-level income workforce	Ownership of attached & 2+ family very rare in Ellsworth and the market area
Attached and 2+ Family Ownership - New	Middle to upper wage workforce	Only 1 small townhouse development exists in Ellsworth (no amenities). Market potential may exist for well designed development with amenities and good floor plan.
Single Family Detached Ownership - Existing	Middle to upper wage workforce	Average existing single family unit selling for about $133,000 in 2003
Single Family Detached Ownership - New	Upper wage/dual income workforce	Active construction in Ellsworth averaging. Typical new units cost $150,000+
Retirement Housing Ladder (High to Low Cost)		
Single Family Detached Ownership	Independence; equity preservation	About 26% of all homeowner households are age 65+ in Ellsworth, and 42% of owners are age 55+.
Manufactured Housing Parks for Seniors	Lower yard maintenance; equity preservation. Movers allow more single family units for workforce.	No age-restricted mobile home parks in Ellsworth
Attached Ownership Housing for Seniors	No yard maintenance; reduced bldg maintenance; equity preservation. Movers allow more single family units for workforce.	No age-restricted condominium developments in Ellsworth. Some senior subsidized rental units are attached, 1-story units.
Market Rental Housing	No maintenance; increased community. Limited market probable, but frees up availability of single family and rental supply for workforce	No age-restricted market rate rentals
Low Cost Rental Housing	No maintenance; cost savings; increased community. Frees up availabliity of ownership and rental supply for workforce	Large number of subsidized senior units in City. Essentially, subsidized rental units comprise nearly all senior rental units locally.
Special and Supportive Housing Alternatives		
Congregate & Assisted Living	Seniors needing help with housekeeping; meals; social activities; personal care (assisted)	Recently developed congrgate facility in Ellsworth
Nursing & Convalescent Care	Seniors with multiple personal care needs	Several facilities in Ellsworth
Homeless Shelters	Temporary housing	Shelter in Ellsworth developed in former Post Office

Housing Need Gaps

Ellsworth currently has a relatively high number of subsidized renter households, especially concentrated among seniors. Local non-elderly renters are highly dependent on the availability of Section 8 voucher subsidies. The availability of programs and development options for very low income renters is very limited, and such housing should not be discouraged. However, this analysis suggests that *balance and diversity* in the local housing stock can be enhanced by introducing alternative housing products to the local market including:

- Quality, market-rate and mixed income rental housing that is available to the workforce, and not restricted solely to the elderly.

- New affordable single family housing within mixed income developments that includes housing affordable to workforce households earning 80-120% of AMFI, adjusted for household size. (Desirable discounted pricing to the first-time buyers at $100,000-$135,000)

- Townhouse-style (condominium) units in planned, mixed income developments offering a mix of prices including units affordable to households under 80% of AMFI, adjusted for household size. (Desirable discounted pricing to the first-time buyer at $90,000 to $110,000). These target prices may shift as interest rates change, or as alternative financing programs are applied.

- Diversified ownership options, including attached condominium units, and new two- family homes available to first-time buyers.

- Financing programs that allow low to moderate income first-time buyers adequate funds to purchase and renovate existing homes, and which preserve affordability.

- Age-restricted condos, mobile home cooperatives, and mixed income or market rate rental units for seniors, in order to diversity local housing options and stimulate turnover availability to the workforce.

- Generally, the development of an equitable and affordable capital cost-distribution strategy that encourages use of public water and sewer utilities would enable more flexibility in creating mixed income housing developments in the City.

APPENDIX TO MARKET ANALYSIS:

DETAILED HOUSING DATA FOR ELLSWORTH

FROM THE 1990 AND 2000 CENSUS

APPENDIX TABLES
HOUSING CHARACTERISTICS AND NEEDS
BASED ON U. S. CENSUS DATA

A-1

ELLSWORTH, MAINE POPULATION & WORKFORCE	1990	2000	Change 1990-2000 Number	Change 1990-2000 Percent
Total Working in Ellsworth (Residents and non-Res.)	5,154	5,948	794	15.4%
Subtotal Live and Work in City	1,999	2,002	3	0.2%
Working residents age 16+	2,752	3,196	444	16.1%
Work in Ellsworth	1,999	2,002	3	0.2%
Work Elsewhere	753	1,194	441	58.6%
% Work Outside of City	27.4%	37.4%		
Resident Workers Per Household	1.14	1.16	0.02	1.8%
Resident Workers Per Household Under Age 65	1.52	1.54	0.02	1.4%
Avg. Travel Time Per resident worker 16+	16	23	6	37.2%
Travel Time to Work				
Total Workers Age 16+	2,752	3,196	444	16.1%
Work at Home	125	179	54	43.2%
Under 15 minutes	1,499	1,332	-167	-11.1%
15 to 29 minutes	566	690	124	21.9%
30 to 44 minutes	339	653	314	92.6%
45 to 59 minutes	116	150	34	29.3%
1 Hour or More	107	192	85	79.4%
Percent travel 1/2 hr or less	79.6%	68.9%		
Percent travel over 1/2 hour	20.4%	31.1%		
Number of Families	1,611	1,801	190	11.8%
Average Family Size	2.91	2.75	-0.16	-5.5%
Workers in Families				
No Workers	212	242	30	14.2%
One Worker	396	451	55	13.9%
Two Workers	834	916	82	9.8%
Three or More Workers	188	192	4	2.1%
Families With 1 or More Workers	1,418	1,559	141	9.9%
% with 2 or More	72.1%	71.1%		
Total population	5,975	6,456	481	8.1%
Under Age 5 (Pre-School)	382	308	-74	-19.4%
Age 5-17 (School Age)	1,023	1,109	86	8.4%
Age 18-64 (Primary Labor Force)	3,594	3,929	335	9.3%
Age 65+ (Seniors)	976	1,110	134	13.7%
School Age Per Household	0.42	0.40	-0.02	-4.9%
Percent of Population				
Pre-School	6.4%	4.8%		
School Age	17.1%	17.2%		
Labor Force	60.2%	60.9%		
Seniors	16.3%	17.2%		

A-2

ELLSWORTH, MAINE HOUSEHOLDS BY TENURE AND AGE	**1990**	**2000**	**Change 1990-2000 Number**	**Percent**
Owner occupied housing units	**1,612**	**1,880**	268	16.6%
15 to 24	29	18	-11	-37.9%
25 to 34	237	205	-32	-13.5%
35 to 44	387	401	14	3.6%
45 to 54	298	466	168	56.4%
55 to 64	277	300	23	8.3%
65 to 74	213	294	81	38.0%
75 or older	171	196	25	14.6%
% Under 65	76.2%	73.9%		
% 65+	23.8%	26.1%		
Renter occupied housing units	**804**	**875**	71	8.8%
15 to 24	132	103	-29	-22.0%
25 to 34	221	216	-5	-2.3%
35 to 44	112	184	72	64.3%
45 to 54	68	120	52	76.5%
55 to 64	52	64	12	23.1%
65 to 74	90	72	-18	-20.0%
75 or older	129	116	-13	-10.1%
% Under 65	72.8%	78.5%		
% 65+	27.2%	21.5%		
Total Occupied	**2,416**	**2,755**	339	14.0%
15 to 24	161	121	-40	-24.8%
25 to 34	458	421	-37	-8.1%
35 to 44	499	585	86	17.2%
45 to 54	366	586	220	60.1%
55 to 64	329	364	35	10.6%
65 to 74	303	366	63	20.8%
75 or older	300	312	12	4.0%
% Under 65	75.0%	75.4%		
% 65+	25.0%	24.6%		
			% Point Change	
Homeownership Rate - All Households	**66.7%**	**68.2%**	1.5%	
15 to 24	18.0%	14.9%	-3.1%	
25 to 34	51.7%	48.7%	-3.1%	
35 to 44	77.6%	68.5%	-9.0%	
45 to 54	81.4%	79.5%	-1.9%	
55 to 64	84.2%	82.4%	-1.8%	
65 to 74	70.3%	80.3%	10.0%	
75 or older	57.0%	62.8%	5.8%	
Ownership Rate Under 65	67.7%	66.9%	-0.8%	
Ownership 65 & Older	63.7%	72.3%	8.6%	

A-3

ELLSWORTH, MAINE HOUSING SUPPLY - TENURE AND STRUCTURAL	1990	2000	Change 1990-2000 Number	Percent
Total Housing Units	3,202	3,442	240	7.5%
Vacant Units	786	687	-99	-12.6%
For rent	49	43	-6	-12.2%
For sale only	26	29	3	11.5%
Rented or sold, not occupied	28	20	-8	-28.6%
For seasonal, recreational, or occas.use	566	543	-23	-4.1%
Other vacant	117	52	-65	-55.6%
Rental vacancy rate	5.7%	4.7%		
Owner vacancy rate	1.6%	1.5%		
Housing Supply by Tenure and Units in Structure				
Vacant Housing Units	786	687	-99	-12.6%
1, detached	396	602	206	52.0%
1, attached	6	5	-1	-16.7%
2-Unit	20	5	-15	-75.0%
3-4 Unit	26	0	-26	-100.0%
5 or More Unit	15	44	29	193.3%
Mobile home	26	31	5	19.2%
Other	297	0	-297	-100.0%
Owner occupied	1,612	1,880	268	16.6%
1, detached	1,363	1,550	187	13.7%
1, attached	9	9	0	0.0%
2-Unit	34	32	-2	-5.9%
3-4 Unit	8	15	7	87.5%
5 or More Unit	1	0	-1	-100.0%
Mobile home	183	274	91	49.7%
Other	14	0	-14	-100.0%
Renter occupied	804	875	71	8.8%
1, detached	172	253	81	47.1%
1, attached	10	33	23	230.0%
2-Unit	96	128	32	33.3%
3-4 Unit	166	172	6	3.6%
5 or More Unit	272	235	-37	-13.6%
Mobile home	59	54	-5	-8.5%
Other	29	0	-29	-100.0%
Total Occupied	2,416	2,755	339	14.0%
1, detached	1,535	1,803	268	17.5%
1, attached	19	42	23	121.1%
2-Unit	130	160	30	23.1%
3-4 Unit	174	187	13	7.5%
5 or More Unit	273	235	-38	-13.9%
Mobile home	242	328	86	35.5%
Other	43	0	-43	-100.0%

Note: 1990 Census data for units in structure was 100% count; 2000 Census data are based on a sample. The comparison among detailed structural categories may be affected by the difference in accuracy between the two years because of sampling methods

A-4

ELLSWORTH, MAINE POPULATION IN HOUSING UNITS	1990	2000	Change 1990-2000 Number	Percent
Total Persons In Housing Units	5,782	6,220	438	7.6%
Owner occupied	4,225	4,712	487	11.5%
1, detached	3,605	3,962	357	9.9%
1, attached	27	16	-11	-40.7%
2-Unit	75	103	28	37.3%
3-4 Unit	13	33	20	153.8%
5 or More Unit	1	0	-1	-100.0%
Mobile home	461	598	137	29.7%
Other	43	0	-43	-100.0%
Renter occupied	1,557	1,508	-49	-3.1%
1, detached	464	503	39	8.4%
1, attached	30	30	0	0.0%
2-Unit	200	206	6	3.0%
3-4 Unit	264	276	12	4.5%
5 or More Unit	413	345	-68	-16.5%
Mobile home	138	148	10	7.2%
Other	48	0	-48	-100.0%
Total Occupied	5,782	6,220	438	7.6%
1, detached	4,069	4,465	396	9.7%
1, attached	57	46	-11	-19.3%
2-Unit	275	309	34	12.4%
3-4 Unit	277	309	32	11.6%
5 or More Unit	414	345	-69	-16.7%
Mobile home	599	746	147	24.5%
Other	91	0	-91	-100.0%
Persons Per Occupied Unit	2.39	2.26	-0.14	-5.7%
1, detached	2.65	2.48	-0.17	-6.6%
1, attached	3.00	1.10	-1.90	-63.5%
2-Unit	2.12	1.93	-0.18	-8.7%
3-4 Unit	1.59	1.65	0.06	3.8%
5 or More Unit	1.52	1.47	-0.05	-3.2%
Mobile home	2.48	2.27	-0.20	-8.1%
Other	2.12	n.a.	n.a.	n.a.

A-5

ELLSWORTH, MAINE BEDROOMS IN OCCUPIED UNITS	1990	2000	Change 1990-2000 Number	Percent
Total Occupied Units	2,416	2,755	339	14.0%
Owner occupied	1,612	1,880	268	16.6%
No bedroom	6	18	12	200.0%
1 bedroom	53	70	17	32.1%
2 bedrooms	436	637	201	46.1%
3 bedrooms	707	862	155	21.9%
4 bedrooms	299	221	-78	-26.1%
5 or more bedrooms	111	72	-39	-35.1%
Renter occupied	804	875	71	8.8%
No bedroom	60	46	-14	-23.3%
1 bedroom	338	362	24	7.1%
2 bedrooms	298	228	-70	-23.5%
3 bedrooms	82	167	85	103.7%
4 bedrooms	23	72	49	213.0%
5 or more bedrooms	3	0	-3	-100.0%
All Occupied	2,416	2,755	339	14.0%
No bedroom	66	64	-2	-3.0%
1 bedroom	391	432	41	10.5%
2 bedrooms	734	865	131	17.8%
3 bedrooms	789	1,029	240	30.4%
4 bedrooms	322	293	-29	-9.0%
5 or more bedrooms	114	72	-42	-36.8%

A-6

GROSS RENTAL COST DISTRIBUTION IN 2000 BY BEDROOMS - ELLSWORTH

Gross Rent Range	No Bedroom	1 Bedroom	2 Bedroom	3 or More Bedroom	Total	% of Units with Cash Rent
Rental Units by No. of Bedrooms	46	345	220	231	842	
No cash rent	8	0	15	63	86	
With cash rent	38	345	205	168	756	100.0%
Less than $200	0	65	9	9	83	11.0%
$ 200 to $299	7	42	34	0	83	11.0%
$ 300 to $499	31	142	61	25	259	34.3%
$ 500 to $749	0	79	101	85	265	35.1%
$ 750 to $999	0	17	0	40	57	7.5%
$1,000 or more	0	0	0	9	9	1.2%

Census median gross rent in 2000: $479 (not representative of market rents due to large number of subsidized units)

A-7 Household Income by Age – 2000 Census

HOUSEHOLD INCOME IN 1999 BY AGE OF HEAD OF HOUSEHOLD

LABOR MARKET AREA	Under 25	25-34	35-44	45-54	55-64	65-74	75+	TOTAL	UNDER AGE 65	AGE 65+
Less than $10,000	131	138	234	240	187	263	324	1,517	930	587
$10,000 to $14,999	56	107	157	223	213	185	280	1,221	756	465
$15,000 to $19,999	81	149	166	180	124	175	219	1,094	700	394
$20,000 to $24,999	56	219	261	167	173	204	114	1,194	876	318
$25,000 to $29,999	41	159	231	176	145	175	139	1,066	752	314
$30,000 to $34,999	52	210	285	236	153	153	102	1,191	936	255
$35,000 to $39,999	46	235	253	160	156	146	66	1,062	850	212
$40,000 to $44,999	21	142	247	294	95	74	41	914	799	115
$45,000 to $49,999	20	175	214	164	102	63	42	780	675	105
$50,000 to $59,999	29	230	328	287	262	104	61	1,301	1,136	165
$60,000 to $74,999	12	181	337	409	220	145	55	1,359	1,159	200
$75,000 to $99,999	10	92	268	342	193	106	68	1,079	905	174
$100,000 to $124,999	2	19	111	138	121	44	33	468	391	77
$125,000 to $149,999	0	7	37	53	56	34	7	194	153	41
$150,000 to $199,999	0	2	43	78	22	11	18	174	145	29
$200,000 or more	0	9	8	68	28	27	10	150	113	37
Total	557	2,074	3,180	3,215	2,250	1,909	1,579	14,764	11,276	3,488

ELLSWORTH	Under 25	25-34	35-44	45-54	55-64	65-74	75+	TOTAL	UNDER AGE 65	AGE 65+
Less than $10,000	39	23	43	74	27	45	31	282	206	76
$10,000 to $14,999	7	15	20	86	65	40	60	293	193	100
$15,000 to $19,999	8	20	28	35	27	18	70	206	118	88
$20,000 to $24,999	0	56	59	15	31	36	7	204	161	43
$25,000 to $29,999	8	30	29	45	31	26	38	207	143	64
$30,000 to $34,999	8	31	55	8	9	36	16	163	111	52
$35,000 to $39,999	9	61	34	31	48	50	16	249	183	66
$40,000 to $44,999	9	18	34	49	11	0	7	128	121	7
$45,000 to $49,999	0	44	57	7	23	0	7	138	131	7
$50,000 to $59,999	8	51	35	44	43	26	13	220	181	39
$60,000 to $74,999	8	27	71	80	12	28	16	242	198	44
$75,000 to $99,999	0	32	54	49	31	31	15	212	166	46
$100,000 to $124,999	0	0	26	30	31	15	0	102	87	15
$125,000 to $149,999	0	0	21	11	19	19	0	70	51	19
$150,000 to $199,999	0	0	0	22	0	0	10	32	22	10
$200,000 or more	0	0	0	11	0	8	0	19	11	8
Total	104	408	566	597	408	378	306	2,767	2,083	684
CITY MEDIAN HOUSEHOLD INCOME BY AGE	$19,375	$37,714	$31,332	$40,402	$37,875	$32,308	$19,130	$35,938		

A-8:
Rental Cost Burden by Income Range – 2000 Census

RENTER HOUSEHOLDS BY INCOME IN 1999 AND GROSS RENT AS PERCENT OF INCOME	Ellsworth	Balance of LMA	Labor Market Total	Hancock County
Under $10,000	186	513	699	1,017
Pay Under 30%	33	103	136	228
Pay 30-34%	8	10	18	30
Pay 35%+	129	333	462	624
Not Computed	16	67	83	135
$10,000 to $19,999:	239	680	919	1,216
Pay Under 30%	76	150	226	306
Pay 30-34%	34	99	133	166
Pay 35%+	112	322	434	575
Not Computed	17	109	126	169
$20,000 to $34,999:	240	763	1,003	1,390
Pay Under 30%	156	474	630	875
Pay 30-34%	30	90	120	159
Pay 35%+	22	74	96	124
Not Computed	32	125	157	232
$35,000 to $49,999:	131	404	535	704
Pay Under 30%	109	345	454	611
Pay 30-34%	0	0	0	2
Pay 35%+	0	0	0	0
Not Computed	22	59	81	91
$50,000 to $74,999:	22	305	327	431
Pay Under 30%	22	272	294	380
Pay 30-34%	0	0	0	2
Pay 35%+	0	0	0	0
Not Computed	0	33	33	49
$75,000 to $99,999:	15	85	100	132
Pay Under 30%	8	69	77	107
Pay 30-34%	0	0	0	0
Pay 35%+	0	0	0	0
Not Computed	7	16	23	25
$100,000 or more:	9	70	79	108
Pay Under 30%	9	63	72	91
Pay 30-34%	0	0	0	0
Pay 35%+	0	0	0	0
Not Computed	0	7	7	17

Renters With High Cost Burden (30%+), Cumulative by Income Level	Ellsworth	Balance of LMA	Labor Market Total	Hancock County
Renters Paying 30% or More	**335**	**928**	**1,263**	**1,682**
Income under 30% AMFI	148	375	523	710
Income under 40% AMFI	215	568	783	1,050
Income under 50% AMFI	271	729	1,000	1,334
Income under 60% AMFI	293	797	1,090	1,452
Income under 80% AMFI	320	881	1,201	1,596
Income under 100% AMFI	335	928	1,263	1,678

Reference area median family income level adjusted to 2 person household for renter income computations

A-9
Single Family Owners Cost Burden by Income Range

SPECIFIED OWNER HOUSEHOLDS BY INCOME IN 1999 AND GROSS MONTHLY OWNERSHIP COST AS PERCENT OF INCOME (1)	Ellsworth	Balance of LMA	Labor Market Total	Hancock County
Under $10,000	57	397	454	677
Pay Under 30%	16	55	71	96
Pay 30-34%	0	28	28	59
Pay 35%+	41	267	308	453
Not Computed	0	47	47	69
$10,000 to $19,999:	151	685	836	1,265
Pay Under 30%	83	386	469	733
Pay 30-34%	7	51	58	102
Pay 35%+	61	248	309	430
Not Computed	0	0	0	0
$20,000 to $34,999:	239	1,250	1,489	2,266
Pay Under 30%	146	868	1,014	1,479
Pay 30-34%	33	77	110	120
Pay 35%+	60	305	365	667
Not Computed	0	0	0	0
$35,000 to $49,999:	295	1,144	1,439	2,172
Pay Under 30%	202	978	1,180	1,788
Pay 30-34%	32	75	107	170
Pay 35%+	61	91	152	214
Not Computed	0	0	0	0
$50,000 to $74,999:	325	1,362	1,687	2,419
Pay Under 30%	316	1,246	1,562	2,264
Pay 30-34%	0	76	76	85
Pay 35%+	9	40	49	70
Not Computed	0	0	0	0
$75,000 to $99,999:	118	537	655	1,042
Pay Under 30%	108	517	625	994
Pay 30-34%	10	12	22	30
Pay 35%+	0	8	8	18
Not Computed	0	0	0	0
$100,000 or more:	147	484	631	938
Pay Under 30%	147	480	627	928
Pay 30-34%	0	0	0	6
Pay 35%+	0	4	4	4
Not Computed	0	0	0	0
Single Family Homeowners with High Cost Burden (30%+), Cumulative by Income Level	Ellsworth	Balance of LMA	Labor Market Total	Hancock County
Owners Paying 30% or More	**314**	**1,282**	**1,596**	**2,428**
Income under 30% AMFI	51	339	390	591
Income under 40% AMFI	91	513	603	900
Income under 50% AMFI	119	635	754	1,128
Income under 60% AMFI	146	745	891	1,355
Income under 80% AMFI	199	965	1,164	1,809
Income under 100% AMFI	253	1,067	1,320	2,041
Income under 120% AMFI	296	1,151	1,446	2,227

(1) Notes: Reference area median family income adjusted to three person household for income interpolation; Census data for this variable is representative of single family owners only; owners of multifamily, mobile home, and attached units are excluded from this portion of the Census sample data.

PART III:

MODELS FOR WORKFORCE HOUSING DEVELOPMENT

ELLSWORTH WORKFORCE HOUSING STUDY

PART III: Models for Workforce Housing Development

Purpose:

This part of the study illustrates a range of models supporting workforce housing development that may have potential for application in Ellsworth. Most of these models comprise the use of public-private partnerships to reduce consumer housing costs for lower and moderate income households. Where possible, specific examples of the various techniques are described, with the emphasis on workforce housing development. Workforce housing is a broad term referring to both rental and home ownership housing for non-elderly, non-disabled persons, across a range of incomes.

The information in Part III was derived from literature research and interviews with housing developers including non-profit agencies involved in housing programs. The major elements of Part II are presented in the order shown below. Most of the sections contain specific examples describing how the various techniques have encouraged the development of lower cost workforce housing alternatives.

Organization of Part III:

A. Expansion of workforce homeownership opportunities
    1. New construction of ownership units
    2. Supporting affordable ownership in existing homes
B. Rental housing development for the workforce
C. Municipal land use incentives for affordable housing
D. Employer assisted housing initiatives
E. Non-profits, housing trusts and land trusts
F. Public education

A. Expansion of workforce homeownership opportunities

1. New construction of affordable homes

Both private developers and non-profits can be encouraged to develop opportunities for people with target “workforce” incomes (generally between 60% and 120% of AMFI) to purchase their own homes. Most of these tools are geared toward helping renters enter the homeownership market. The City has many tools available to encourage the development of lower cost homeownership opportunities. Several approaches to the development of new, affordable single family homes are discussed below. These approaches generally involved public-private partnerships and a mix of financing sources with cooperation from host communities.

Examples:

a. Housing authority non-profit corporation as developer. The Brunswick Housing Authority created its own non-profit subsidiary, the Greater Brunswick Housing Corporation, and provided seed money to initiate its Garrison Grove single family development. The GBHC purchased 2.7 acres in two separate parcels. The GBHC leveraged this land to win an Affordable Housing Program (AHP) grant administered by the Federal Home Loan Bank of Boston (FHLBB) to subsidize the development of 14 houses, and $100,000 from MSHA to make some of the homes more affordable to the 6 lower-income homeowners. The total development cost is budgeted at $1.9 million dollars, so construction financing from a local bank, Bath Savings Bank, at prime +1/2% was also necessary. The GBHC has selected a contractor to build the homes who has agreed to carry the costs of construction to limit the need for construction financing and development costs. The GBHC also chose the stick-built method for construction as opposed to modular due to design issues and control over construction monitoring. Once all units are sold, GBHC will be able to recover its land investment and its outlay for development costs. The GBHC will then have additional capital for its’ next venture.

The Town of Brunswick waived minimum lot sizes and set back requirements after several modifications to the sub-division’s plan. The Town of Brunswick allowed 9% open space though regulations called for 30%, in part because there is a Town playground across the street. The Town also waived recreation fees and solid waste impact fees to reduce development costs. A typical home in the subdivision is a 3-bedroom 1.5 bath detached house on a small lot of about 5,500 square feet, expected to sell for an average of $110,000 (2004).

After researching affordability covenants and deed restrictions, GBHC used the affordability covenants and deed restrictions modeled after the Mount Desert Island Housing Authority’s home ownership development, West Eden Meadows. A qualified buyer gets a discount on the purchase price, and the discount is “passed forward” to qualified successor owners or recaptured by GBHC. For example, if a house appraised at $120,000 is sold by GHBC to a qualified buyer for $90,000, then when that owner sells, the home must be sold to another qualified buyer at a 25% discount below market value. The GBHC has a right of first refusal to purchase the home at the discounted rate. If no qualified buyer can be found, then the home may be sold at market value, but the seller will pay the GBHC the difference. In this example, 25% of the sale price would be paid back to GBHC, which would then use the funds to assist another first-time buyer.

The income mix of the homeowners will be 3 at 50% of area median family income[1] (AMFI), 3 at 60%, 6 at 80% and 2 at up to 120% of AMFI. Besides the income restrictions, GBHC established two priorities for who may buy the home. First priority is extended to applicants who either live in Brunswick; have graduated from Brunswick schools, or who work for the Town of Brunswick. Second priority is for applicants currently working in Brunswick.

Total Development Cost	$1,900,000
Anticipated Revenue from sale of homes:	$1,500,000
Federal Home Loan Bank AHP grant	$ 313,000
Developer's loan to project	$ 200,000
MSHA grant to reduce home prices	$ 100,000
Bath Savings Loan	remainder

Comment: This type of model has been used in a number of new housing developments in Maine. The basic formula for recapture of the subsidy or discount will work well as a pass-through to future qualified buyers, provided that homes prices are not rising significantly faster than household income. In rapidly-appreciating markets, however, this approach may not be able to generate enough cash at the time of resale to enable future low to moderate income buyers to afford the same units. In rapidly appreciating markets, some additional provisions for shared gain, or limits on resale keyed to a percent of area median family income may be appropriate to preserve affordability. There are numerous forms of recapture provisions that may be applied.

b. Modular housing subdivision: Topsham Crossing (Topsham, Maine). In Topsham, Maine a local developer who owns a modular home construction company is in the process of building a modular home subdivision in Topsham. In this case, it is the type of construction, the density and the scale of the project, as well as the availability of town water and sewer, that will make the homes affordable. Construction of nine homes began in late 2003, as part of a plan for 68 houses on 40 acres. The homes will be sold for $132,500 to $175,000. Like the Brunswick development, MSHA awarded $100,000 towards lowering the price for 8 eligible homeowners by an additional $12,500.

The cost of roads and curbs and sidewalks is projected to be about $2 million dollars, financed through a loan. The 75-foot wide individual lots cost about $40,000 after development costs are factored in. Homes will be grouped together on small lots, many of which will border undisturbed woods. The homes are within walking distance to schools and stores along route 24. According to the state planning office, this is the first development in Maine designed around the "Great American Neighborhood" concept. Planners use this term to refer to denser, walkable, mixed-use development intended to restore or create the types of neighborhoods typical in a New England village. The town of Topsham rejected a proposed zone change to allow townhouses or shops or offices and the Town had a role in the reducing the development's size, and determining how the plat would be laid out. The varied designs for the clustered homes were an important part of the overall plan.

c. Single family construction by non-profit CAP: Searsport Ownership Initiative. The Penquis Community Action Program will construct 10 modular homes on half-acre lots in Searsport. The town of Searsport extended water and sewer utilities in anticipation of this development and a 32-unit tax credit rental project (42 units total). Other subsidy support for project development costs included $400,000 in CDBG innovative housing funds, $50,000 in MSHA funds to lower purchase prices by $12,500 for four units; and a $250,000 FHLBB

[1] The relevant income benchmarks used in federal housing programs are based on the U. S. Department of Housing and Urban Development (HUD) determination of the area median family income (abbreviated here as AMFI), adjusted for household size. This standard is sometimes referenced as the "median area income" or MAI. To avoid confusion with references to median *household* income (a different measure) this report uses AMFI to represent the HUD-based income schedules which are indexed, by household size, from an estimate of median *family* income for a county or a metropolitan area.

Affordable Housing Partnership grant is being sought. Total construction costs of $135,000-$140,000 per unit will be reduced to an estimated $90,000 to $95,000 per unit purchase price. Current plans call for about half the buyers to have incomes of 60-80% of AMFI, and the balance at or below 60% of AMFI. Affordability covenants will be used to recover subsidy funds at the time of resale by the initial owner, with the proceeds used to reduce the cost to a successor owner of eligible income, or returned to the Town to be applied to other affordable housing initiatives if no buyer is found.

d. Condominium units for lower income ownership (Westbrook, Maine). The Westbrook Housing Authority will construct up to nine condominium units adjacent to ten units of rental housing that it is rehabilitating. The two-bedroom condominium homes will be sold to households with incomes at or below 80% of AMFI. Funding sources include a CDBG Innovative Housing grant and may include a FHLBB Affordable Housing Partnership grant, which would be used to lower home prices so that the income requirements for the ownership program can be lowered even further. Affordability covenants will be used, along with a soft second mortgage (due on resale of the unit) to recapture a portion of the subsidy to the buyer.

e. Adaptive re-use of buildings: Park Street Lofts (Saco, Maine) One possible way to make home ownership more affordable is to diversify the housing stock and add condos in old buildings to the mix. Often these projects involve the use of historic tax credits. In Saco, there is a private developer, who is converting an old shoe factory into 34 condominium units. The project is intended to attract artists and others who want to combine their living and working spaces. The units are 930–1500 square feet with finished kitchens and bathrooms, but otherwise preserve the open spaces of the old factory. This type of renovation requires fewer interior walls, fewer bathrooms and less change to the whole building than typically needed to convert a large, vacant structure into apartments. While this project is not being marketed as an affordable housing development, the unfinished “live/work” units will be affordable because the building costs are lower.

2. Supporting Affordable Ownership in Existing Homes

a. Encouraging ownership near city centers (targeted) older neighborhoods close to the inner cities have an aging housing stock and often experience major changes in demographics. As the housing stock deteriorates, it is easy for a downward spiral to occur where landlords stop investing in their properties. Municipalities have tools to reverse this trend and provide more opportunities for renters to become homeowners. For example, the Maine Office of Community Development awards grants through its Community Development Block Grant Program to cities and towns for both renovation and needed infrastructure. Improving existing housing in core neighborhoods and allow building on small lots close to downtown is part of what planners refer to as “smart growth.”

Examples:

(1) Increasing Homeownership Levels Downtown. In Manchester, New Hampshire and Hartford, Connecticut, there was concern about dis-investment in the downtown neighborhoods. There was an extremely low rate of home-ownership in some blocks. Neighborhood Housing Services, Inc. of Manchester created a program to encourage home-ownership in certain blocks. With some demolition and some new construction, Manchester’s program was extremely successful, increasing home ownership from 10% to 60%. In Manchester, the

program is based on a national model for neighborhood turnaround created by the Neighborhood Reinvestment Corporation, Inc. This organizational structure provides extensive ownership counseling for first-time buyers and help with acquisition and redevelopment. In Hartford, Trinity College and the local hospital were major players in creating programs to encourage owner-occupied housing to combat crime and stabilize neighborhoods. One of the long-term goals of the programs are improved maintenance and neighborhood quality that derives from higher levels of homeownership.

(2) Portland, Maine Homeport Program (deferred second mortgage loan). Funded by CDBG and federal HOME funds, the Portland Homeport program provides second-mortgage financing to encourage homeownership among households earning less than 80% of AMFI. The City provides loans of up to $30,000 at 0% interest with repayment due on sale of the home. Additional loan funds are available if lead abatement is required, and increasing proportions of the abatement loan forgivable depending on how long the owner resides in the structure. The City's loan is intended to finance the gap between the amount a private lender will loan the household at specified underwriting standards, and the purchase price of the home, closing costs, rehab to federal housing quality standards, and correcting lead paint hazards. City policy and federal program requirements are the basis for terms of loan repayment. Where net proceeds of resale exceed the amount needed to repay the Homeport loan as well as the owner's equity, the net gain is shared proportionately between the seller and the City, with the City's share not to exceed 30% of the net gain.

(3) New Neighbors Program. Maine State Housing Authority also has a home-ownership program to help revitalize community downtown areas and help reduce sprawl. The *New Neighbors* program can be offered in any of Maine's 39 service centers (Ellsworth is considered one.) but to date only 9 communities including Auburn, Lewiston, Bangor, Portland, Westbrook, Waterville, Augusta, Bath and Norway have begun such programs. The New Neighbors program offers financing to eligible buyers of eligible properties. The buyer's below market rate loan covers both purchase price and repairs. In this way, the new owners improve buildings and give stability to a neighborhood. According to MSHA, the program has been primarily used in Portland. Augusta has completed four loans through this program; Lewiston has had three loans, and Auburn one.

b. General workforce ownership incentives. Another strategy to make home ownership more accessible to the workforce is to market existing programs through mailings, brochures, newspaper articles, homebuyer education classes, and getting relevant information to banks and realtors. Maine State Housing Authority, (MSHA), the United State Department of Agriculture Rural Development, (RD, formerly Farmer's Home) and the Veteran's Administration (VA) offer various programs to help families afford home ownership. Interestingly, both RD and MSHA's loan programs are utilized much less frequently than a few years ago since the market rate interest rates are so low.

Examples:

(1) York County Affordable Homes Program. York County Community Action Program and the Kennebunk Savings Bank has developed a home-buyer program combining the Section 502 RD program with Federal Home Loan Bank AHP funds for down-payment and closing cost assistance in order to offer interest rates at 35 to 45% below market to eligible first time homebuyers. In this program, eligible applicants are screened by the community action program and complete homebuyer education classes, and if there are no major unresolved credit issues, they get a mortgage loan from Kennebunk Savings Bank to purchase a new or

existing modest home in the County. Since 1997, 400 households with incomes at 50% to 80% of the AMFI have purchased homes. Half of these households are headed by single women.

Programs Available Low to Moderate Income Homebuyers

- Homebuyer education: 10-hour course called hoMEworks, offered all over the state, usually at community action agencies.

(2) Portsmouth, New Hampshire HomeTown Program. Portsmouth, N.H. has a HomeTown Program to provide financial assistance to qualified households who wish to purchase a home within Portsmouth city limits and who, without this assistance could not do so. It is funded by CDBG, funds from the City of Portsmouth, the New Hampshire Finance Authority and Citizens Bank. It is restricted to people who have lived in Portsmouth for at least two years, or resided in Portsmouth for at least ten years in the past and currently lives within 30 miles or is a permanent employee of the City. Financial assistance can include low interest first mortgage financing, a 0% loan or a "sleeper mortgage" due upon sale for down payment and closing costs, and a closing cost grant of $500 from Citizens Bank.

(3) City of Auburn Lease/Buy Homeownership Program. The City of Auburn in partnership with Coastal Enterprises has had twenty lower income households use their Lease/Buy Home Ownership program to become homeowners in designated neighborhoods. The lease option allows potential homeowners time to build good credit. City staff with construction expertise is available to help the participating households determine needed repairs and obtain bids. Through a combination of grant money from the City and loan money from Coastal Enterprises, Inc. (CEI), the purchase price can be reduced by as much as $57,000 depending on household income and the extent of repairs needed.

(4) City of Lewiston Homeownership Assistance Loan Program. The City of Lewiston offers down payment and closing cost assistance for first time homebuyers at or below 80% AMFI. Lewiston also has an emergency loan fund to provide immediate assistance to owner-occupied buildings (1 – 4 units) needing emergency repairs.

These programs only work if there is an enough housing that is priced low enough to be affordable to families of low and moderate income (with program assistance). These ownership programs cannot provide deep subsidy assistance, and generally cannot reach families earning under 60% of AMFI. At this income level, the options are very limited, and often rental may be the best option for the household until its earnings rise. However, the nine Maine chapters of Habitat for Humanity build ten to twenty houses a year statewide, generally for families at 30% to 60% of the area's median income.

Community Concepts, Inc. (the area's Community Action Agency) in South Paris offers a self-help housing program funded through USDA's Rural Development in which six families a year in Oxford County help each other to build their own homes with the oversight of a Community Concepts, Inc. construction supervisor.

B. Rental housing development for the workforce

1. The Low Income Housing Tax Credit (LIHTC) Program

This federal financing vehicle is the primary means to develop multi-family workforce rental housing that can serve low income or mixed income markets. Established by federal law in 1986, the LIHTC provides incentives for private investment in affordable rental housing. Use of the LIHTC requires that a rental project provide a minimum of 20% of its units to households earning 50% of the AMFI or less, or at least 40% of its units to renters at or below 60% of AMFI. The balance of the units may be rented at prevailing market rents. In stronger markets that support high enough rents, mixed income projects may be feasible. Non-profit sponsors may also develop partnership arrangements through which tax credits can be utilized. In Maine, most non-profits will seek projects that are 100% oriented toward low income households.

The LIHTC represented a major shift in the how rental housing serving low to moderate income households is financed. Prior to the LIHTC, rental housing was constructed using state tax exempt bond funds, or federal loans, with long-term Section 8 rent subsidy contracts that assured affordability to even the lowest income occupants. Most of today's LIHTC projects, however, are not subsidized with project-based Section 8 contracts, though tenants holding vouchers may use them in such projects. The LIHTC development will generally be affordable to households earning 40-60% of AMFI, but those earning under 40% of AMFI generally will not have enough income to afford the units unless additional subsidies are available to the household. Therefore, today's "subsidized rental housing" does not necessarily serve those having the lowest incomes. LIHTC rental housing does, however, support an important component of workforce rental housing.

Maine State Housing Authority administers the program by holding a competitive application process each year for the 9% federal low-income tax credits and awards these tax credits to developers based on the established criteria. The developers who are awarded tax credits sell these tax benefits to investors through intermediaries. In a successful 9% tax credit project, up to 80% of the overall development cost may be covered through the sale of tax credits.

Along with the lucrative 9% low income tax credit projects, there are also 4% tax credits. Developers applying for 4% tax credits may apply anytime. For a 4% tax credit project to be financially feasible, the project needs either more subsidy, or must be able to carry more debt. 4% tax credit projects typically work best in strong rental markets like Greater Portland, where 2-bedroom market rate units mixed with lower income units will be leased for over $1,000 month. Realty Resources recently developed Ellsworth's congregate housing project for the elderly housing using 4% tax credits.

Examples:

a. Workforce rental housing in Belfast, Maine. Belfast faced a situation of significant job growth, which brought new households into the area, causing rental prices to rise rapidly. While the MBNA jobs paid $12 an hour and up, retail workers and others making $8, $9 and $10 an hour were being squeezed out. The Penquis Community Action Program responded with a workforce rental development in Belfast that includes 24 units of townhouse style units. Although the project faced significant neighborhood opposition, the design was subsequently acclaimed for demonstrating that housing for lower income families can be quite attractive. The Penquis CAP housing in Belfast targets those at 50% and 60% of area median income. The rents are $616 to $675 for a three-bedroom townhouse. The sources of funding for this project demonstrate the funding components of the project.

Low income tax credit funds	$2,910,500
General Partner Capital	$ 309,000

Federal Home Loan Bank AHP grant	$ 220,000
MSHA loan	$ 300,000
TOTAL SOURCES	$3,739,500

While the LIHTC program results in affordable units, the overall cost per unit can be quite high because of the substantial overhead involved in consulting and other fees for tax credit placement.

b. Mixed income LIHTC housing at Casco Terrace, Portland. New construction of multi-family housing that combines both affordable housing units and market rate housing is unusual. One such project nearing completion is 27 units of housing in downtown Portland. Thirteen of the units have rents affordable at 50% and 60% of AMFI. The rest of the units will available to households of any income, and rented at market rates of up to $1,300 per unit. One of the developer's first steps was to apply for an LIHTC allocation. The developer next sought a contract zone approval from the City of Portland to allow for greater density and less parking than standard regulations would require. Early in the process of applying for a contract zone (in November 2002), the developer held an initial neighborhood meeting on the project which was attended by 65 people. He also worked with the City's Planning Board and Historic Preservation Board on design issues. The developer's second community meeting attended by 30 people in January of 2003, and the contract zone proposal subsequently received approval from the City in May 2003. A third public meeting on the development attracted only 6 people, indicating that the public already had sufficient information on the project. The developer sought a buyer of the low income tax credits, submitted detailed plans for review by the City's code officer. After selecting an intermediary for the tax credits (using the same bank for construction financing), the developer was able close the loan by the end of August 2003, and construction began the next day. Actual construction time will be shorter than the full year that was consumed in pre-development planning. The incorporation of market-rate units meant higher risk and necessitated that the project take on debt, but public money was not used to subsidize the construction of this portion of the building.

2. Maine State Housing Authority (MSHA) Resources

The Maine State Housing Authority's Development Division is the first stop for a developer interested in constructing affordable rental housing. MSHA funds are involved in nearly every affordable rental housing project developed in the state of Maine. MSHA has a variety of funding sources (State HOME, federal HOME, Bond money for affordable housing, and its own unrestricted funds. These funds are distributed in a variety of loan and grant programs. These include the: rental loan program, revolving loan fund for acquisitions, subsequent loan program, continuum of care homeless assistance program, pre-development loan program, capacity enhancement grant program, and the supportive housing debt and grant program. Developers also apply for federal low income tax credits through the MSHA.

3. Federal Home Loan Bank of Boston Affordable Housing Program (AHP)

The Federal Home Loan Bank of Boston offers both grants and loans to member institutions[2] who are working with developers of affordable rental or home-ownership opportunities. Funding is quite competitive, and recent changes eliminate the preference for special need and housing for people with very low incomes. In general, AHP for ownership programs must benefit households earning under 80% of AMFI; use for rental developments is limited to projects having at least 20% occupancy by households at or below 50% of AMFI. In Maine, three projects received AHP grants in Maine in 2003, while 11 projects were funded in 2002. The Federal Home Loan Bank loan (or advance) is often accompanied by an AHP grant.

Other funding sources from FHLBB include the New England Fund, which supports ownership and rental opportunities for households up to 140% of AMFI, and an Equity Builder Fund that helps low to moderate income households with down payment, closing costs, rehabilitation expenses, and counseling.

4. Community Development Block Grants (CDBG)

CDBG funds are awarded to non-entitlement cities and towns in a competitive application process from the Maine Office of Economic and Community Development. These grants can be combined with other funds to support the creation of housing units, or can be used for related community needs such as encouraging home ownership, developing infrastructure, revitalizing downtown, rehabilitating rental housing, and other uses that have a primary benefit to households earning under 80% of AMFI. For example, the City of Westbrook was recently awarded $400,000 for mixed home ownership and rental development through an application to CDBG's innovative housing fund.

5. USDA Rural Development 515 Housing Loans

Rural Development (RD) accepts developer applications for loans of up to $1,000,000 at 1% interest. Projects are also eligible for rental assistance (similar to a Section 8 subsidy) for very low income tenants residing in the facility. Ellsworth is currently ranked as having "very high need" in RD's place rankings, so developers seeking to build in Ellsworth would have a competitive scoring advantage. Projects compete for a funding pool on the national level; there is no specific set-aside for Maine. Because of the limited funding available, Rural Development multifamily rental projects need to have at least 25% leveraged funds from other sources. In

[2] There are FHLBB member institutions in Ellsworth, Bar Harbor, and Bangor

Maine, RD has a memorandum of understanding with MSHA giving priority to projects that apply for MSHA administered funding such as LIHTC.

6. State and Federal Historic Tax Credits

Many communities in Maine have vacant schools, other municipal buildings, or commercial structures that may be converted to affordable housing. A typical re-use is to create elderly housing, such as the newly completed, $5.9 million project that converted the former City Hall in Augusta into 31 units of affordable housing with services for very low income seniors. Since project-based vouchers are attached to the units, all residents must have incomes which make them eligible for Section 8. In addition to the vouchers, the owner has a $300,000 yearly service contract with HUD. The Old City Hall maintained its external historic character, and is well liked by area residents. In Westbrook and Millinocket, old high schools were converted into elderly housing as well. Where eligible, projects may benefit from both the historic tax credit and LIHTC.

7. Direct municipal funding

The Town of Camden used $66,950 of local bond money to help subsidize the development of a rental housing project on land donated by MBNA. In Augusta, the City contributed $300,000 of CDBG funds and $100,000 of the City's contingency reserves to convert the old City Hall into elderly housing. Another form of municipal funding are the new provisions for Tax Increment Financing applied in the form of Affordable Housing Development Districts (discussed in Section C below).

C. Municipal land use incentives for affordable housing

1. Inclusionary zoning and density incentives

The practice of inclusionary housing generally involves offering a density incentive, fee waivers, or other concessions on normal development requirements, under the condition that a minimum percentage of total units in are sold or rented to households within a specified income range. (The income range usually is defined at or below a certain percent of the area median family income, and represents an income level not typically being served by new market-rate housing). Set-aside requirements should not be less than 10%; typically the set-aside requirement is not more than 25%.

Common Elements of Inclusionary Zoning

- Density bonuses
- Income limits for portion of units
- Pricing criteria for affordable units
- Controls on resale price or rent for affordable units
- Design standards

Existing Zoning Provisions in Ellsworth – Summary Table of Uses and Standards (Example Only, Not an Official Document of the Ordinance)

RESIDENTIAL USES AUTHORIZED AND SELECTED STANDARDS IN ELLSOWRTH LAND USE ORDINANCE											
Zoning District	**Single Family Detached**	**Two Family Dwelling**	**Multifamily Dwelling (3+ units)**	**Mobile Home (3)**	**Cluster Subdivision (4)**	**Conversion of Existing Structure to Attached, Townhouse or Mulifamily**	**New Construction of Attached, Townhouse or Multifamily**	**Min. Lot Size in Sq. Ft.**	**Min. Lot Frontage**	**Residential Max. Units/Net Acre**	**Maximum Height**
R-1 Urban Residence	P	P	CU	MH in park only	CU - 5 ac min; 300' frontage	CU; not > 4 units/bldg	CU	15,000 (single fam); 17,500 (for 2 or more family structure)	100' + 10' additional for each additional dwellin unit	4/ac sf in cluster subdiv; 10/ac multifamily	35'
R-1A Urban Residence / Office	P	P	CU	MH in park only	CU - 5 ac min; 300' frontage	CU; not > 4 units/bldg	CU with max 4 units/bldg and only 1 principal building/lot	40,000	150'	Not specified	35'
R-2 Rural Residence and Farming	P	P with 70,000 s.f. lot min; 250' frontage min	CU	P	P	CU	CU	40,000	150'	10 du/acre in cluster or multifamily	35'
R-3 Natural Resource	P	P	No	P	P	CU	CU	80,000	200'	10 du/acre in cluster or multifamily	35'
C-1 Commercial and Institutional	P (1)	No	No	P	No	CU	No	standards of nearest res zone apply			35' residential; 60' for other
C-2 Retail and Service	P (1)	No	No	P	No	CU	No	standards of nearest res zone apply			35' residential; 60' for other
I-1 Industrial	Residential only as indicental/accessory to industrial				No	No	No	n/a	n/a	n/a	60' non-res
I-2 Light Industry,Wholesale and Transportation	P	P with 70,000 s.f. lot min; 250' frontage min	No	P	No	No	No	40,000; 15,000 with public water/sewer	150'; 100' with public water/sewer	n/a	60'
Commercial and Light Industrial C-LI (2)	P (1)	No	No	P	No	CU	No	standards of nearest res zone apply			35' residential; 60' for other
BP - Business Park	Residential only as accessory for security personnel				No	No	No	1 acre	100'	n/a	65' non-res
Shoreland Overlay	P	P	CU	P	No	No	CU	See underlying zone and special overlay restrictions			
Resource Protection	No	No	No	No	No	No	No	n/a	n/a	n/a	n/a

P = use permitted subject to approval by Code Enforcement Officer
CU = conditional use subject to approval by Planning Board

(1) Subject to area, yard, height and lot coverage of nearest residential zone. Presumes that modular homes are permitted under same terms as other single family
(2) Provisions for C-LI district authorizes CEO to approve uses that are allowed in R-2 without PB approval.
(3) Article IV, Section provides that a mobile home used as a dwelling is limited to mobile home parks except in R-2, R-3 and I-2. However, mobile home parks are not expressly permitted or allowed as a CU in the lists of authorized uses by zoning district.
(4) cluster subdivision expressly auhorized as a use only in R-1 and R-1A; but maximum density for cluster also defined for R-2 and R-3

The density bonus may be flexible and responsive to the proportion of units that are reserved for the targeted income group. Generally, long-term guarantees on affordability of "inclusionary" units are required based on deed restrictions on resale, or requirements on rental units that a given percent be rented to target income levels. In some large metropolitan markets in very strong housing markets, inclusionary housing is mandatory for all new development, but in northern New England, voluntary provisions are used. For example, a development might be awarded a density bonus of 25% where at least 20% of the units developed are sold or rented to the target income group. If the objective is to develop workforce housing, the development should not be allowed to satisfy the "affordable housing" inclusionary requirement by constructing housing solely for the elderly.

To constitute an incentive, the bonus provisions must be sufficiently attractive (relative to the normal standards applicable to development) to make it economically attractive for the developer to choose the incentive option. While the incentive may not always increase the rate of profit, it may be attractive by increasing the volume of units that can be sold or rented. If the incentives are encumbered by excessive standards for open space or development requirements, or have less predictable approval procedures than standard development options, it is unlikely to be used. In general, the density advantages of this technique, as with regular cluster development, are most effective where public water and sewer are available, and where financial incentives are available. The developer must also determine that the units will be marketable at the increased density that is allowed.

2. Conditional or Contract Zoning

Contract zoning allows a municipality to permit certain land uses in special situations following a legislative finding that a particular site warrants such treatment and that the proposed use is consistent with the comprehensive plan. The use of contract zoning is essentially a means of negotiating development standards and a development agreement specific to a site development proposal where a public benefit is derived from relaxing the development standards. The property owner or developer initiates a request for a contract zone. This tool has been incorporated into zoning provisions in Maine communities including Saco, Scarborough and Portland.

Saco has used contract zoning to lower parking requirements and reduce setback requirements for an Alzheimer's facility. Contract zoning was used to allow an old mill to be redeveloped into condominiums. The contract zone provisions allowed the developer to create 34 units, rather than the 17 that would have been allowed in the existing 5-story building, based on the size of the lot and the standards for the underlying zone. The developer also sought and was granted permission to consider this a mixed-use project, with artists' studios being considered light commercial use.

In Portland, a 27-unit mixed income tax credit apartment development was created on an in-town site. An existing one-story commercial garage on the site became the underground parking garage for an apartment project constructed above it. The developer applied for a contract zone from the City of Portland to allow for higher density and lower parking requirements than were permitted in the underlying zoning district. Half of the apartments will be rented to households earning under 60% of AMFI, and the balance to will be market rate units renting for up to $1,200-$1,300 per month for units with a view.

The town of Cumberland, Maine has used contract zoning on a limited basis. It utilized contract zoning to create Smalls Brook Crossing, which provided 49 affordable housing units created at by a non-profit sponsor. The normal zoning requirements for the site would have been 3 acres per unit; under the contract zone agreement, homes were built on ½-acre lots and a substantial public benefit was provided to the town in the form of 50 acres of public open space with trails connecting to others off-site recreation lands.

A city or town would need to authorize the use of contract zoning within the text of its ordinance, and specify the purpose, terms and conditions under which it would be applied, and that any approved zone and related development be consistent with the comprehensive plan. Caution should be used in applying this instrument only in those cases that advance specific public purpose objectives, such as the creation of affordable workforce housing. Otherwise, it may be used indiscriminately as a relief mechanism to circumvent the general standards of land use ordinances. Because this process essentially constitutes rezoning of the property (generally subject to a development agreement) the legislative body (City Council) must make the final decision on the contact zone.

Minimum statutory requirements are that the rezoning approved subject to conditional or contract zoning must be consistent with the growth management program of the municipality (comprehensive plan); the rezoned areas must be consistent with the existing and permitted uses within the original zone; and the rezoning may only include conditions and restrictions that relate to the physical development or operation of the property. (See 30-A MRSA, subsection 4352).

3. Land acquisition and infrastructure financing

The availability of public water and sewer at a reasonable cost allows not only more flexibility in density and site design, but also more predictability in the approval process. Data from the National Association of Home Builders indicates that, for a typical new home, about 23 % of the end purchase price of a new single family home relates to the cost of raw land plus related site improvements, including water, sewer and roads. Therefore, municipal involvement in acquiring land, financing infrastructure improvements, or reducing these costs can have a meaningful effect on development cost. However, to assure that the end product remains affordable to a specific workforce target income group, a public/private partnership of this nature will also need to incorporate agreements that limit the income levels to be served. Otherwise, despite the reduction of land or infrastructure costs, the price of a home or rent will be dictated by whatever price the market will bear.

In some municipalities, surplus land and properties acquired by tax foreclosure are “land banked” and offered to non-profits or to developers who will construct new homes or resell improved houses to specified income groups. Public infrastructure financing for water/sewer extensions may be supported by local or tax funds, special assessments on properties served, impact fees, or lower interest loans. Community facility loans from the USDA (Rural Development) may be available for this purpose. The Maine State Planning Office is also offering a sewer extension loan program for developments that support “walkable neighborhoods” in compact developments as part of its Great American Neighborhood initiative. Municipalities and sewer districts are eligible for the funds; this program is relatively new and has not yet been utilized. The program is intended to encourage public/private joint proposals consistent with State objectives.

4. Acquisition, pre-approval, and sale of development site

Some municipalities have taken the more aggressive approach of acquiring land, laying out a development plan, and obtaining necessary development approvals. The community may then issue a request for proposals, with the land with approvals sold to a developer willing to construct the units and sell (or rent) all or a portion of them at prices affordable to the target workforce market. Such an arrangement would also involve the creation of a development agreement and instruments that preserve future affordability of the units constructed.

Developers are often reluctant to seek development approvals under innovative zoning provisions, even where local regulations allow them. When innovative affordable housing incentives are available within a zoning ordinance, the approval process for them usually requires land use boards to make discretionary decisions on the proposal. Board decisions on innovative plans may be less predictable than where a developer pursues a "standard" development plan. This can mean that substantial time and money may be expended in pursuit of a project that is ultimately rejected, or subject to public pressure for rejecting the plan. This approach allows the city or town to absorb much of the up-front risk and cost in pursuing an affordable housing development.

5. Tax increment financing (TIF) for Affordable Housing Development Districts

Maine's newest incentive for affordable housing is the application of tax increment financing (TIF) to affordable housing development. Special legislation was passed during 2003 that enables TIFs to be approved by the Maine State Housing Authority (MSHA). Final program guidelines were issued by MSHA in May, 2004. The TIF essentially allows the property taxes collected on the incremental portion of assessed value within a TIF district to be applied to offset a portion of development (and other) costs. Within the affordable housing TIF district, incremental tax revenues can be used for acquisition and capital costs, infrastructure, financing and services, recreational facilities and other costs.

Property tax revenues from incremental value in the TIF may also be applied to related costs outside the district, such as infrastructure improvements, public safety, mitigation of impacts on public facilities, or applied to a housing development revolving loan fund. Within a housing TIF, at least 1/3 of the housing developed must be affordable to households of not more than 120% of area median income. The program rules for 2004 establish an estimated area medina income for Hancock County at $50,300; the 120% maximum for affordable housing units in a local TIF would therefore be limited to households earning $60,360 or less. With this relatively high ceiling on incomes, the program enables considerable flexibility at the local level to further define the maximum incomes or income mix that a community wishes to target in its local program.

Comment: The TIF rules provide only an upper ceiling on household income for units developed under TIF provisions. If the City were to develop a TIF-related affordable housing program, it should establish more specific goals for affordability of units at targeted income levels (i.e., a percent of units available at or below 60% AMFI, 80% of AMFI, etc.) Otherwise, the affordable rents or prices will not penetrate the target workforce market, but will instead only serve households at the top of the allowable income level.

The municipality must adopt an affordable housing development program for each district. A 10-year commitment to affordability is required for ownership units and a 30-year period for rental units. At least 25% of the land area within a housing TIF must be suitable for residential use, be a blighted area, or be in need of rehabilitation or redevelopment. Numerous other requirements also apply.

The community can set forth its own TIF policy, prescribing the conditions under which it will approve requests for establishment of a TIF district, what costs may be covered, and what income limits or mix will apply to participating developments (provided the limits are within the legislatively define maximums.) As with the TIFs used for commercial and industrial development, the incremental assessed valuation created after the TIF is established is ignored in the computation of State education subsidies and revenue sharing, and in the computation of the municipal share of county tax assessments.

Nationally, the original concept of TIFs was to create a mechanism to finance public investments in declining inner city properties. Cities would make substantial investments in infrastructure and related improvements, demolition, land acquisition and other projects to encourage development in targeted areas. The property taxes on the increased assessed value, instead of accruing to the general fund, were instead applied directly to reimburse the community for bonded debt or other public investments that led to the creation of that value. The portion of incremental taxes not applied to TIF district expenses accrues to the general fund. The TIF eventually expires after a set period of time, returning all of the assessed valuation in the district to general taxation.

Maine's TIF process allows property taxes to flow back to pay for public investments, and/or to reimburse a developer depending on the related agreements. The City of South Portland is the first municipality to create an affordable housing TIF for a large-scale project that involves the conversion of the former Maine Youth Center property where up to 300 units of housing could be created.

The legislation establishing the Affordable Housing Development Districts seems to anticipate the application of this tool across an area of the community determined by the comprehensive planning process. While it is possible to create site-specific affordable housing TIFs, it is probably a more appropriate tool for application to attract investment across a larger neighborhood. It also represents a means by which infrastructure costs could be absorbed initially by the City, through bonded debt or other means, and then recovered over time from property taxes on the incremental assessed value that is created.

D. Employer-assisted housing initiatives

An employer assisted housing benefit that reduces turnover could save money by lowering the cost of recruiting and training. Employer assisted housing initiatives can include such elements as access to a revolving loan fund to pay back an initial security deposit; providing a match to money saved by an employee for the down payment of a house; leasing rental units for employees; or constructing units for employees as was done a century ago in "company towns" like Rumford.

Housing-related cash benefits can provide financial incentives for an employee to stay with the company, live close to work, and reduce labor turnover and training costs. Generally, employer assisted benefits are considered taxable income to the employee, but a deductible expense (as with salaries and other compensation) by the employer. A company with a human resource department could manage its own housing benefit program or several companies could work together with a local bank or credit union to link employers' help with other programs to help employees purchase homes. An employer interested in developing housing can do so in partnership with a non-profit or for-profit developer. Employers may also be regular or periodic contributors to affordable housing trusts or non-profit development organizations in a locality or region.

Types of Employer-assisted Housing Initiatives

Who is served: Targeted to employees who cannot find and/or housing in a particular area near a major employer. There need not be any income restrictions. There are three major types of employer-assisted housing initiatives.

Employee benefit to support home ownership:
This works best when there is an adequate supply of housing, but costs are just beyond the reach of employees.

- Closing cost assistance
- Mortgage loan guarantees
- Down payment loan or match
- Deferred or forgivable mortgage loans (soft second mortgages)
- Matched savings programs
- Interest rate buy-downs

Employee benefit for rental housing:
This approach tends to be used more frequently by employees than home ownership assistance. This may work well to attract more applicants for seasonal positions.

- Repayable or forgivable loans for security deposits, first month's rent

- "Master Lease": An employer rents housing from a landlord and leases it to employees. Because the landlord has a guaranteed rent, a monthly rent may be negotiated at below market rates.

Employer develops and/or owns housing:
The employer participates directly in the development or financing of housing. This approach can be used to encourage employees to live close to their place of work. Employers may put up an initial investment in to leverage funds from other sources including low income tax credits, FHLBB funds and other sources.

- Donation of development sites
- Direct development of housing with or without government funds. Occupancy could be restricted to eligible employees, or if coupled with public funds, marketed first to employees.

Examples:

1. Employer initiatives in Colorado's ski resort region

In the rural resort region of Colorado ski country, there are at least 24 employers with 5 to 500 employees that offer some type of housing benefit to their employees. For example, the electric company in Sedalia, Colorado has a down payment assistance program. The employee puts down a minimum of 3% and the company pays up to 10% of the purchase price. The employee pays back the amount when they leave the company. A research lab in Colorado which has a number of visiting scientists and other professionals staying one year or less, rents small apartments and rooms within homes of local residents. The lab places these visiting employees in furnished housing, though the employee is responsible for their own rent payments of up to $600 per month. The water district of Vail, Colorado offers rental units at below market rates, and has a frequently used loan program for renters that covers first and last month rent, and security deposits. The district has purchased properties and sold them to the employees with deed restrictions, and has a down payment assistance program as well. McDonald's participates in a master lease program in which it rents blocks of units from a landlord, then rents the units to employees at below-market rents.

2. Hospital investment in affordable rental housing: Damariscotta, Maine

Miles Hospital, of Damariscotta committed hospital funds toward the development of Ledgewood Court so that lower income employees of the hospital and other health care workers could have affordable rental housing close to the hospital. The hospital put up $93,000 and other health care employers contributed $30,000 toward a $3.5 million dollar project to build 24 affordable rental housing units near the hospital. The local community action agency, Coastal Economic Development, Inc. developed the units using low income tax credit funding, and HOME funds awarded through MSHA. Technical assistance was provided from the Genesis Fund. Though the units cannot be restricted to health care workers, the rental units were actively marketed to them as the project was developed. Rents are from $430 to $495 for a 2-bedroom unit and from $495 to $605 for a 3-bedroom unit. Five of the 24 units are reserved for families at or below 50% of the area median income, while the remaining units are for households with incomes of 60% AMFI or below. Health care workers and their families occupy about half of the units

3. Employer development and donation of land: Camden & Belfast, Maine

The MBNA Corporation constructed housing for its own employees in Belfast. In Camden, the company donated land so the community would have a site on which to construct affordable workforce housing. The all-volunteer non-profit corporation, the Camden Affordable Housing Organization, accepted the donation of land and leveraged the employer's gift to develop 8 detached homes for households with incomes from 50% to 100% of area median. The president of the non-profit corporation is also a vice-president at Camden National Bank. Her bank has invested her time as well as $400,000 in the $1 million dollar project.

E. Non-profits, housing trusts and land trusts

1. Land Trusts

Land trusts were formed in the 1970s with a vision of divorcing ownership from its function as an investment vehicle. Land trusts keep home ownership affordable by maintaining the ownership of the land in a non-profit land trust while selling the houses on the land to qualified buyers. A key feature of land trusts is the use of a ground lease restricting both the future sale and the income of the homebuyer. Areas served by land trusts may be cities, regions, counties or states. A land trust preserves and creates affordable homeownership and insures affordability for future as well as current homeowners by a legal ground lease and covenant. The land trust model has allowed people with incomes as low as 40% of AMFI to become homeowners.

One state that has linked land conservation trusts with land trusts to keep housing affordable is Vermont. A state funding agency was established in 1987, still the only one of its kind in the nation, linking affordable housing and community development with land conservation and historic preservation. Initially capitalized with $3 million dollars, the Vermont Housing and Conservation Board has awarded $142 million to nonprofit housing and conservation organizations, municipalities and state agencies to develop more than 745 projects in 205 Vermont towns. The coordinated effort has built 6,419 units of affordable housing and conserved 328,000 acres of farm and natural areas. The one feature that all the VHCB projects have in common is perpetual affordability. For rentals, this is accomplished by setting restrictions on the income levels of the occupants and the sale price of the property. Homeownership projects most typically feature ground leases.

The consultant's interviews with Maine housing developers indicated the opinion that deed restrictions, recapture provisions, and affordability covenants can accomplish the same purpose as land trusts, without the necessity of a non-profit remaining involved through leasing property to homeowners. If the homeowner owns the land, there are no administrative and insurance expenses incurred by another entity. A land trust is also problematic because people in Maine generally prefer owning the land.

2. Affordable Housing Trusts and Community-Based Non-Profits

A housing trust is simply a way of pooling funds for housing initiatives. An affordable housing trust fund raises funds from both public and private sources and restricts the use of funds to meet specified housing objectives. A dedicated funding stream, whether from taxes, fees, and/or an endowment are considered essential for success. A commonly used source of public revenue for state or regional trusts is the dedication of recording fees for real estate documents. As homes are being refinanced or bought and sold, recording fee revenues are dedicated to the housing trust fund. General tax revenue from a City or State may be budgeted for contributions to a housing trust. Other possible funding sources include the proceeds from the sales of a tax-acquired property or other land owned by the City, or donations negotiated with developers during the approval process. Private employers, banks, foundations also donate to housing trust funds.

An affordable housing trust may itself be a developer and owner of housing, or may allocate funds to developers to leverage other subsidies and loans to build new units or renovate existing units. Funds may also be used to make first time home-ownership more affordable. Almost all housing trust funds restrict the beneficiaries to those below 80% of area median income. The state of Nebraska's housing trust fund goes entirely to fund emergency shelters and programs to prevent people from becoming homeless.

There are administrative costs in managing a housing trust, which implies that efficient use will require a large enough market to attract enough capital and to support a reasonable volume of housing development. A city with the staff capacity to manage CDBG funds directly probably can sustain the staff capacity to manage a fund without significant additional costs. However, a regional non-profit organization or a community development corporation may be more effective in absorbing the administrative costs of operating a housing trust or trust fund. A non-profit is also able to operate more flexibly when it is independent of local government structure.

Examples:

1. Burlington, Vermont Housing Trust

The city of Burlington Vermont established a tax levy in 1989 to fund its Housing Trust. The Housing Trust then gives grants of $20,000 - $60,000 to non-profit developers for specific affordable housing initiatives in the City. The purpose is to create or retain long-term affordable housing for very low, (50% AMFI), low (80% AMFI) and moderate-income (100% AMFI) households. Over the years, the vast majority of the housing trust funds have been allocated to three non-profit developers: the Burlington Community Land Trust, the Champlain Valley Mutual Housing Federation and the Lake Champlain Housing Development Corporation. A wide variety of rental and home ownership was created for many different types of people including working families, the elderly, homeless and special needs populations. Burlington is unusual for the number of affordable limited equity co-ops produced with the guidance and support of the Burlington Housing Trust Fund.

2. The Freeport Housing Trust

This organization is not a traditional housing trust fund in that sense that it does not award funds to others; it manages and develops housing as a not for profit corporation. The Freeport Housing Trust (FHT) grew from the work of a Town-sponsored Housing Committee. Between 1980 and1989, over 100 housing units were lost to commercial development in downtown Freeport. Since its incorporation as a private non-profit 501c3 in1989, (independent of the Town), the Freeport Housing Trust has successfully utilized loan and grant funds to leverage an initial gift of $550,000 from a single commercial developer to purchase 82 affordable rental housing units which might have otherwise been demolished for retail uses or become not affordable to working families. The Freeport Housing Trust also constructed Village View, offering 30 units of multifamily housing along route 1 to add to the town's housing stock. The rental units in the FHT portfolio are in six apartment complexes of 4 to 30 units each in downtown Freeport. The Housing Trust also bought 5 condos and resold them to low- income households at below market rates and FHT owns the land beneath a 60-unit mobile home park. The completion of Village View, a low income tax credit project, generated sufficient source of revenue for the Freeport Housing Trust to be self-sustaining as of 1997. FHT serves families with incomes up to 100% of the area median income.

3. Concord Area Trust for Community Housing (CATCH) – Concord NH

CATCH was formed in 1989 as non-profit trust that raises funds from donors in the City of Concord, NH and its area. The organization began with a single-person administrative staff operating out a donated basement office, and its first project was to renovate and expand an older building in the city to develop 2 and 3 bedroom rental units in a cooperative. Most other projects have involved traditional rental housing, and one project involved the development of condominium units for lower income ownership. The organization now has a larger professional staff, and has developed or rehabilitated over 142 units of affordable housing. Most of its development has involved lower cost rental housing for families, which was not being supplied by the for-profit sector. A 72-unit tax credit development for households earning under 60% of AMFI is now under consideration.

Using a combination of grants, contributed funds from area organizations, LIHTC, land donations and other funds, CATCH generally produces housing with monthly rents that are 25-

30% below prevailing market rates. Target income groups are typically under 60% of AMFI with some units serving households up to 80% of AMFI. Over one-hundred individuals and dozens of businesses, civic groups, religious communities and in-kind donors have helped CATCH in its mission of preserving and creating affordable housing for low- and moderate-income families.

4. The York County Housing Trust Fund

The York County Shelters and the York County Commissioners created this new organization in late 2003. Its purpose is to encourage the development of more rental housing in York County. Because this is a newly formed organization, it does not yet have an ongoing source of funding or projects underway. However, if a York County municipality wants to have a piece of property developed, the Fund could assume ownership and work with developers to meet that community's housing goals. A National Housing Trust Fund bill has been proposed in Congress. If this legislation passes, this and other trust fund organizations may be poised to receive federal funding that could augment their resources.

F. Public education to support workforce housing

Political will is critical to support the development of new development that addresses the overall housing shortage and to create housing for working people. Negative public perceptions and resistance to housing development in general, and affordable housing in particular, have raised new barriers to addressing housing supply needs. A standing workforce housing committee, particularly one representing a region rather than one city, can gather information and demonstrate the need for more home ownership or rental housing for working families.

Communities and market areas need a diversity of price and product to house not only the elderly, but also to support young people entering the work force, and working families that support economic growth. Affordable workforce housing is a necessary component to the support of a functioning economy.

A common misperception is that multifamily rental housing generates large families with many school age children. In fact, the average household occupying single family detached housing generates significantly more population and school enrollment than other types of units. Data for Ellsworth and the state of Maine (see Figures 12-15 below) illustrate average household size and enrollment ratios for various types of occupied units. Single family detached and mobile homes, the predominant housing types in the city, have average household sizes that are considerably higher than the averages for duplex and multifamily units. In Ellsworth, the average number of school age population per occupied housing unit was 0.795 in 1970; by 2000 the ratio was nearly halved to 0.403 per unit. While the number of occupied housing units in Ellsworth grew by 825 from 1980 to 2000 (+43%), the number of school age children (age 5-17) grew by only 67 (+ 6%).

Figure 12

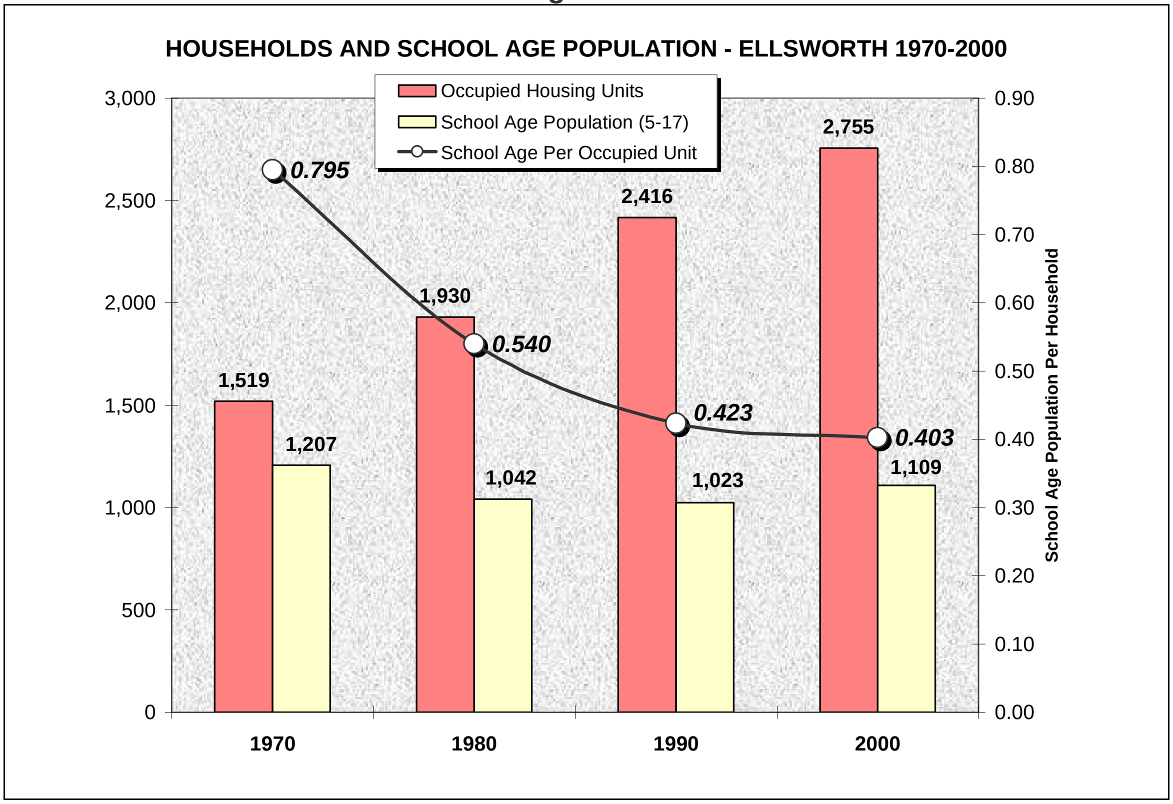


Figure 13

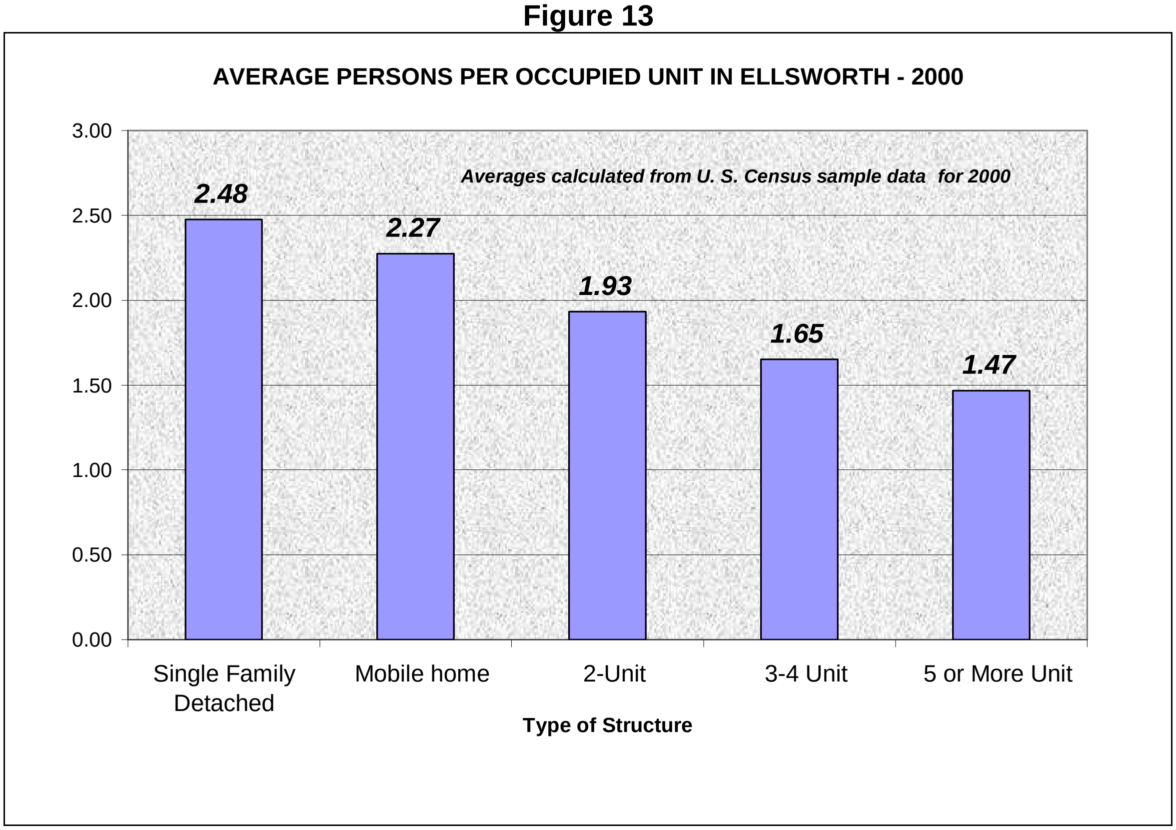


Figure 14

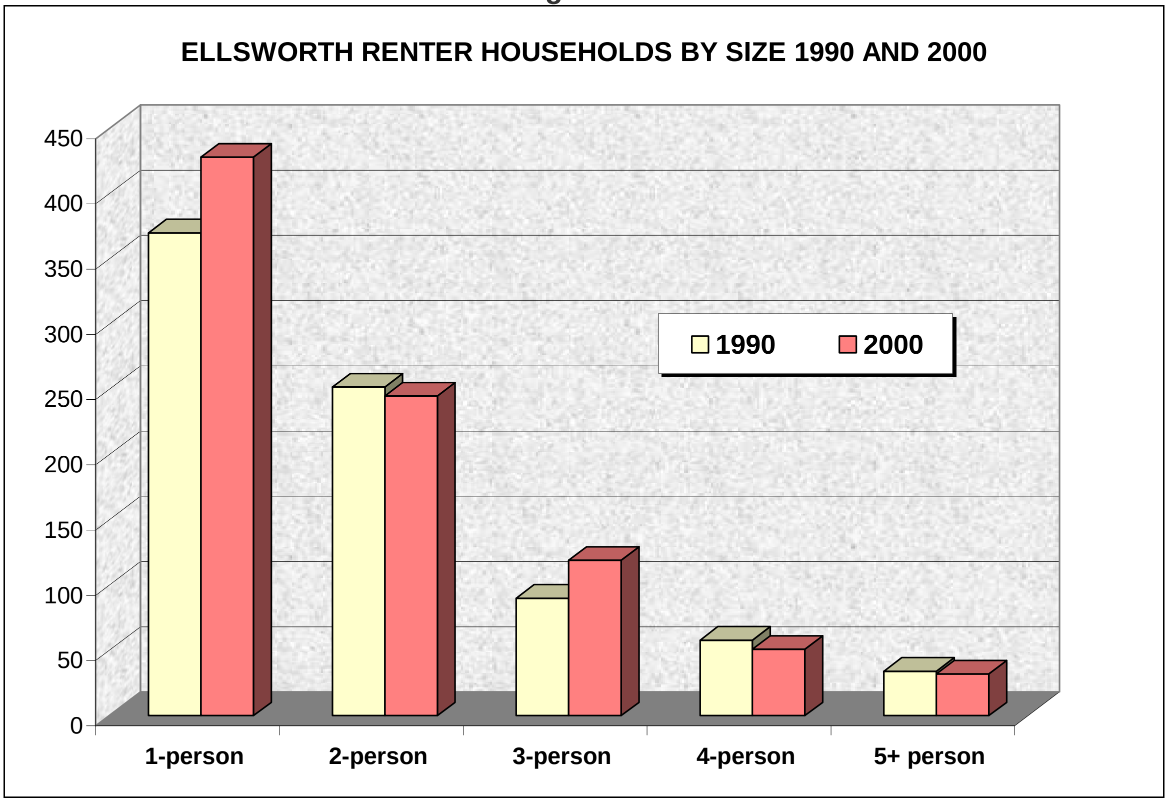
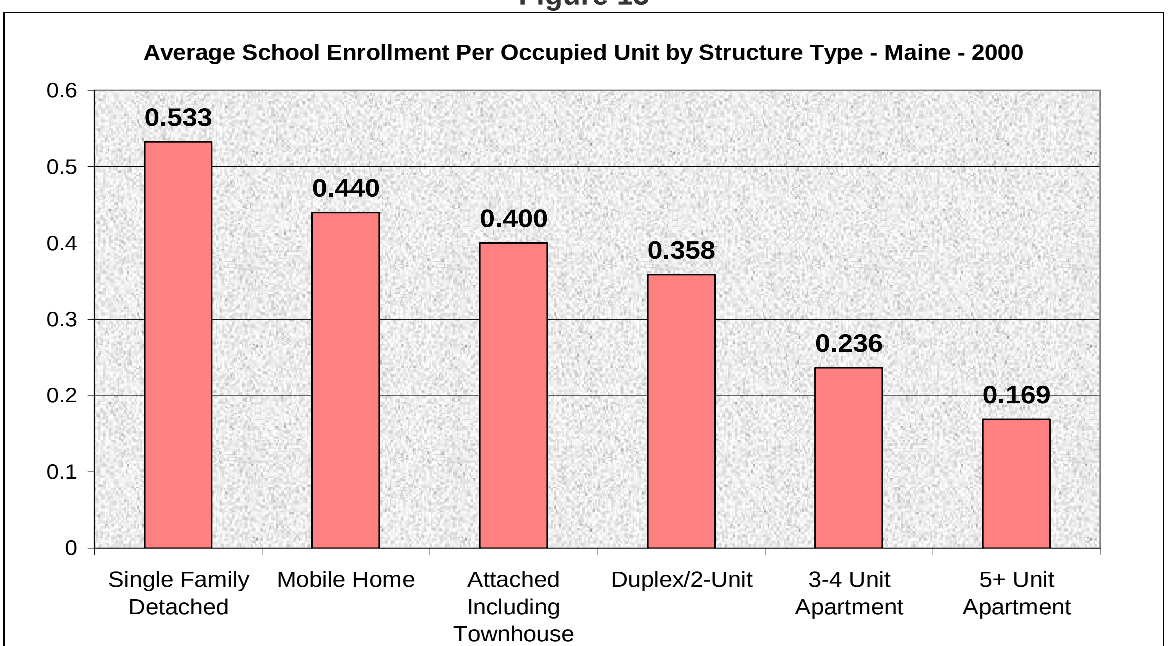


Figure 15



Source: BCM Planning tabulation of Public Use Microdata Sample (PUMS) - 5% sample - 2000 Census.
Averages include students enrolled in private schools

Despite the high degree to which new development is regulated, the approval process is often viewed by the developer as unpredictable and risky. It is possible for a development to meet all required regulations, but still be rejected at the end of a long and expensive review process, as a result of neighborhood opposition, or as a consequence of general biases against the presumed income or demographic characteristics of prospective residents.

The latter issues are generally beyond the appropriate scope of land use regulatory review. While some concerns may be mitigated by conditions placed on a development, other opposition to affordable housing development may simply relate to a fundamental resistance to growth or change. Land use decisions must be based on the criteria and standards contained within applicable ordinances and regulations. Otherwise, the approval process will discourage innovation in affordable workforce housing, and does become more unpredictable and risky to the developer. .

Two elements are important in the education process to deal with these issues: (1) the community needs a mix of housing types to support an economy – the negative fiscal impact of one development will be offset by the positive impact of another where there is balance between economic development and housing. Secondly (2) households need various types of housing during their lifetimes, starting with affordable rental housing, lower cost ownership units, new single family units, and later in the cycle retirement housing options.

Dealing with Public Perceptions of Housing Impacts

- Disseminate general information about affordable housing in order to change perceptions regarding the role of balanced development in the community, demonstrating that housing is a necessary component of regional economic prospering, and that higher density housing can help revitalize a city.
- Listen to the concerns of those most affected about a particular proposed development and respond to concerns by providing facts on the demographic, fiscal, and property value impacts of housing development.
- Communicate early and often in the housing development process. Some developers have separate outreach campaigns, one to address the concerns of opponents and one to find supporters.
- Design with exterior aesthetics in mind and be open to altering the architectural design to make it more compatible with the neighborhood.
- Appoint a standing committee to monitor workforce housing demand and supply. The committee can become an advocate for affordable workforce housing during the development approval process. It can also provide a long-term commitment of a “watchdog” group that addresses barriers to affordable housing development.

Examples:

1. The Housing Partnership of Portsmouth, New Hampshire

This non-profit organization, active in the development of affordable housing in the greater Portsmouth area, created the Seacoast Workforce Housing Coalition as an educational outreach and advocacy group. The mission of the Workforce Housing Coalition is “to be a catalyst for the development of a range of housing options for the diverse workforce in the Greater Seacoast region of New Hampshire and Maine.” As part of its outreach effort, for example, the organization has become actively involved in reviewing and commenting on the update of the Portsmouth, New Hampshire comprehensive plan, stressing the need to provide alternative workforce housing options where there is strong job growth, but where housing costs far exceed those affordable to many local workers.

2. MDI Tomorrow (Mt Desert Island)

This organization has been active in publicizing the lack of affordable housing options on Mount Desert Island. After considerable planning, MDI Tomorrow held a housing summit in September 2003 to educate key stakeholders and the public about Mount Desert Island’s housing needs. This type of community effort brings awareness to the general public and generates attention to the issue, which is often a necessary step toward achieving tangible results.